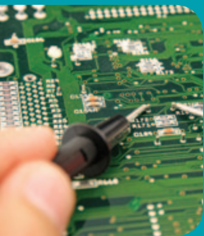
Financial Services Consumer Panel











Annual Report 2012/2013



An independent voice for consumers of financial services

The Consumer Panel is an independent statutory body, established in 1998. Our main purpose is to ensure that the Financial Services Authority (FSA) promotes fairer outcomes for consumers during policy development. The Panel also takes a broader role in advising European institutions and the government on financial services regulation and legislation.

Since its establishment, the Panel has helped deliver significant benefits for consumers. We support the FSA where we believe policies can help consumers and challenge the FSA forcefully when we feel consumers would be disadvantaged.

Panel Members are recruited through a process of open competition and serve a maximum of two terms of three years. During the last year, Members' expertise included: market research, journalism, law, financial services industry, financial inclusion, European regulation, financial regulation, consumer advice, campaigning, communications, compliance and later life issues. You can find out more about our Members in Appendix 1 or on our website www.fs-cp.org.

The Panel engages with the FSA as it develops policy, usually well before consultations are published. Regular dialogue is ensured by inviting members of FSA staff to attend Panel meetings and working groups. The Panel submits regular monthly reports to the FSA's Board. We also liaise on a quarterly basis with the FSA's Chief Executive. Key meetings are held with other stakeholders such as the Financial Services Ombudsman, Which? and Consumer Focus to progress our agenda: these are detailed in Appendix 3.

Foreword by the Chair

The year covered in this report is the last year of the FSA. It seems, therefore, an opportune time for me to reflect on the Panel's work in 2012/13, while also looking forward to the new regulatory framework where there will be two regulators. The FCA is responsible for conduct in financial services, as well as the prudential regulation of 23,000 smaller firms, and the PRA is responsible for the prudential regulation of the larger banks and insurance companies.

This change heralds an even wider restructuring. The FCA will take over the regulation of consumer credit, including second mortgages, from the Office of Fair Trading in April 2014. It will also be able to use new competition powers to deliver better value to consumers. The Panel devoted significant effort to lobbying for these changes last year and we were pleased that the Government adopted the proposals. We believe that these powers will make it possible for the FCA to become a more effective regulator for consumers than the FSA.

We were also pleased that the role of the Panels was written across into the governance structure of the FCA, but disappointed that the Consumer Panel was not given a statutory role to question and advise the PRA. The PRA will only have an industry Panel. We think the Consumer Panel has given helpful advice to the FSA in relation to managing the impact of prudential regulation on consumers and we were encouraged that a number of the industry associations supported our lobbying for this power.

This report covers the full range of our activities last year. We have been vigilant, together with the FSA's other Panels, in ensuring the FSA retained its focus on effective supervision while preparing for its transition to the new FCA. The implementation of the Retail Distribution Review, the focus on fair treatment of customers and the development of the Mortgage Market Review came under our continued scrutiny.

Although our work programme is set to quite a large extent by the agendas of the FCA, BIS and Treasury, one of the Panel's aims is to focus on the effectiveness of regulation in parts of the market not covered by other organisations concerned with protecting consumers buying financial services. In the past year we have looked into: the extent to which the general insurance market works for customers; the risks for people when seeking to provide income in later life caused by the apparent growth of unregulated advice; the problems faced by customers whose bank accounts are forcibly closed due to suspicions of fraud; and the development of European regulation, which could reduce the protections enjoyed by retail customers in the UK.

I would like to thank my Panel colleagues and the secretariat for their hard work in the last year, particularly given the challenges of regulatory reform. I would also like to thank Lindsey Rogerson, David Harker and Stephen Crampton who left the Panel this year.

This is my last report as Panel Chair as I have reached the end of my term. Reading it, I am impressed by the effectiveness of the Panel over the years. Many of our ideas and policies were increasingly taken up by the FSA as it moved to become a more effective regulator, and now by the FCA. This, I think, is testimony to the persuasiveness of our arguments and the vision of my colleagues in making the case for better and fairer consumer outcomes. I do believe the consumer voice is now louder and better informed as a result. I am also reassured that there are signs that the industry, as a whole, has accepted the need for a significant change in the way it treats its customers. No amount of rules can guarantee good behaviour without acceptance by the industry of a culture of treating customers fairly. I hope this philosophy will prevail.

Adam Phillips
19 May 2013

Contents

The Panel in March 2013.

For a list of the 2012-2013 Panel see Appendix 1.

Introduction

- The Panel's role.
- The Panel's six priority areas.
- Overview of our ongoing work.

The Financial Services Consumer Panel's role is to advise the FSA and now the FCA on its policy and practice. We provide constructive challenge to the FCA to improve its effectiveness in meeting its consumer protection objectives.

While much of our work is focused directly on the FCA's activities, we also identify key priority areas where we think we could bring about positive change for consumers. Our priorities for 2012/13 included:

- the shape of future financial services regulation;
- the future effectiveness of the FCA as a conduct regulator;
- moving consumer credit regulation to the FCA;
- identifying poor practices in general insurance;
- improving consumer outcomes in income in later life; and
- more effective consumer representation at EU level.

Aside from our priorities, this report provides details of our input into issues that arose as part of our usual agenda, which is focused on the FSA's activity:

- banking;
- mortgages;
- the RDR, advice and simple financial products;
- compensation and redress;
- saving for later life;
- the Money Advice Service; and
- consumer vulnerability.

How we work

The Panel's main business is conducted through our monthly meetings, when we consider consultations and policy papers, as well as questioning external visitors and meeting with FCA directors and staff. The Panel also has smaller working groups that hold monthly meetings and are regularly attended by the FCA and others. Ad hoc working groups are also set up as required to address key issues.

The Panel Chair meets regularly with the FCA Chairman and Chief Executive, as was the case with their FSA predecessors. The Chair also meets with senior personnel at the Bank of England, as well as MPs and Peers. In addition, the Panel has held roundtable briefings to identify and address critical issues, and Panel members meet regularly with industry associations including the *ABI, BBA, CML, APFA, AMI, and BSA.

Stakeholder engagement remains important

The Panel has engaged with the FSA, Treasury, consumer groups and other stakeholders at a number of levels. We interact with other groups working for consumers such as Which?, Consumer Focus, Citizens Advice, Age UK, the Financial Ombudsman Service and the Financial Services Compensation Scheme.

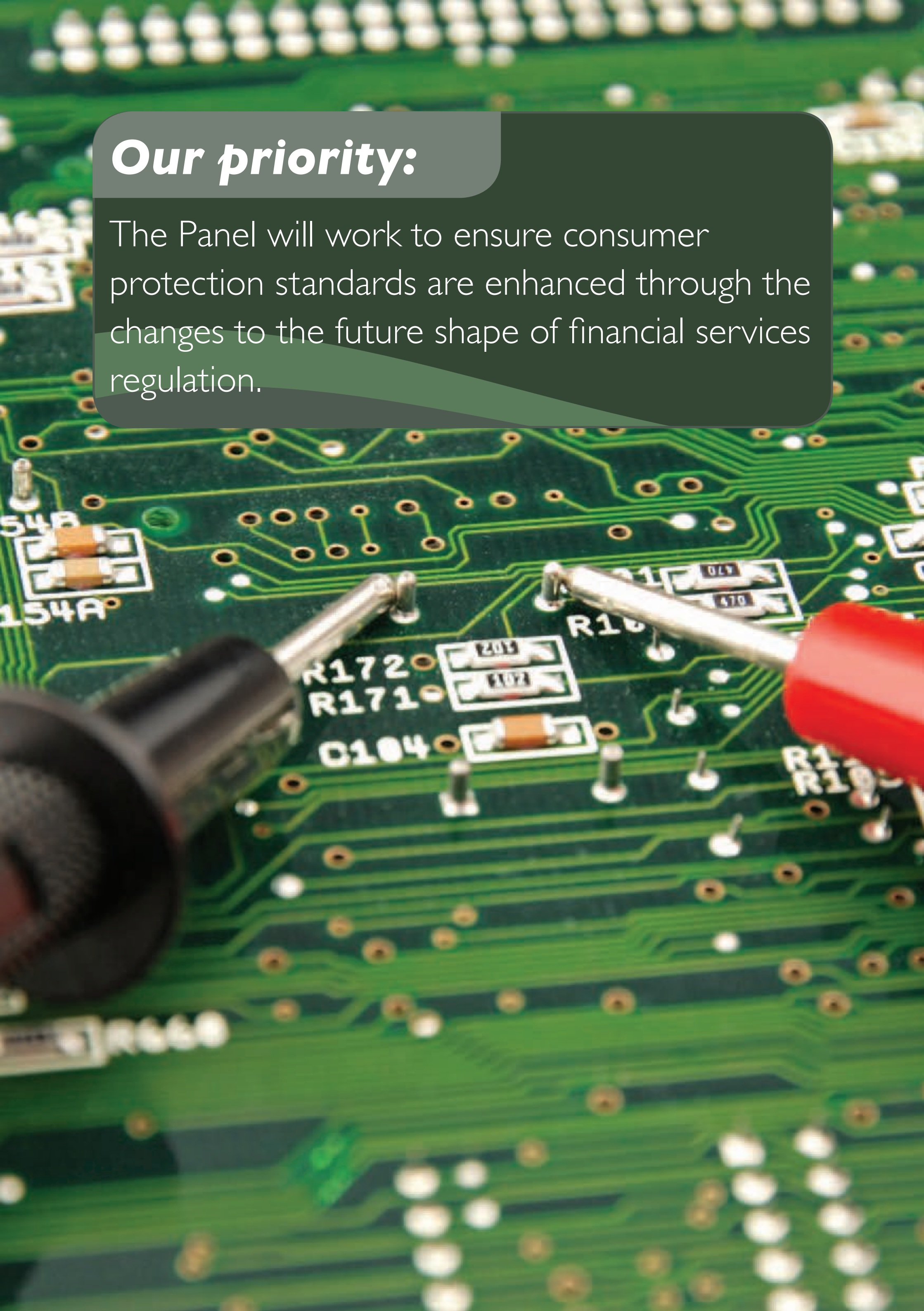
Where we have made a difference

Much of the Panel's work takes place at an early stage of policy formulation and through detailed discussions with stakeholders and with the regulatory authorities. This year we are particularly proud of our work on regulatory reform, where we persuaded the Government to insert a 'have regard' for consumer access to financial services into the FCA's competition objective. We have also been pleased by the strong commitment to a proactive and assertive FCA in both the legislation and subsequent statements. Stronger powers and earlier, more proactive action have been demands of the Panel for some years. Finally, our research on consumer credit regulation, commissioned last year, has been influential in the Treasury's considerations around the transfer of the regime to the FCA.

Detailed information on the Consumer Panel's work and priorities can be found on our website at: www.fs-cp.org.uk.

Our priority:

The Panel will work to ensure consumer protection standards are enhanced through the changes to the future shape of financial services regulation.



The FCA and its effectiveness as a conduct regulator

- The new mandate given to the FCA should mean tougher, faster action to protect consumers.
- The new Policy Risk and Research division will give the FCA the tools to act faster.
- Greater transparency is necessary to break the cycle of misselling.
- Emerging risks need to be identified and mitigated.
- Effective success measures developed to assess performance.

The approach and effectiveness of the new FCA as a conduct regulator, will determine whether the much needed culture change in financial services occurs. We are pleased with the tough mandate given to the FCA to act more swiftly. Decisive action to prevent potential detriment before it occurs will help deliver better consumer outcomes.

FCA 'journey' document

We welcomed the *Journey to the FCA* document and in most areas we concluded that it set out an appropriately ambitious agenda. However, we cautioned in our response that strong rhetoric must be matched by strong action, and the FCA must ensure that it has sufficient resources at the appropriate level, and the necessary skills and expertise to deliver what it promised. We also believed more detailed prioritisation would be wise.

Temporary product intervention rules

We responded to the FSA's consultation CP12/35 on using temporary product intervention on 17 January 2013. We were strongly supportive of the new rules, which include a range of interventions from consumer or industry warnings, to a ban on the sale of unsuitable products. We concluded that the consultation paper set out a measured and proportionate approach.

We recommended that consumers with a product that became subject to a temporary intervention rule should be pre-warned by firms if it could might become worthless as a result or destroy the market in the product. We considered that the FCA should protect consumers from undue pressure by claims management firms by providing them with information on how to get redress. We also raised concerns about how the rules would fit with the EU legislative framework, including MiFID.

Mystery shopping

We persuaded the FSA in the early 2000s that it should conduct mystery shopping as part of its regulatory toolkit. On 13 February the FSA published the results of its latest work into the quality of lump sum investment advice given to retail clients by banks.

This revealed that one in four customers was given poor advice, with as many as one in ten being given unsuitable advice. We think this is unacceptable and we argued for a more transparent approach, which names the banks and includes robust enforcement action to encourage better behaviour in the future.

Value for money from the FCA

We welcome the extension of the National Audit Office's remit to include the FCA. It is essential that the effectiveness and efficiency of the FCA are measured in a meaningful way.

Cross-panel working groups

The Consumer Panel worked with the Practitioner Panels to provide input into the transitional and operational arrangements necessary to establish the Financial Conduct Authority. The cross panel group considered and advised the FSA on a range of issues, including planning and implementing communications to firms, supervision design, regional approach and prudential considerations. The collaboration with the Practitioner Panel on this important piece of work ensured that consumer issues were highlighted at the very early stages of designing how the new FCA will operate.

'…People should be aware of wrongful behaviour and given the opportunity to take their business elsewhere'

Adam Phillips, 13 February 2013

Our priority:

To influence the debate on the future shape of consumer credit regulation with the aim of maintaining, and where appropriate enhancing, consumer protection standards.

Consumer credit regulation

- Bringing credit regulation into the FCA will be a significant change in regulation.
- A single regulator will provide a consistent and integrated regulatory approach with more resource than the OFT.
- Consumer protections in the Consumer Credit Act (CCA) must be maintained.

The transfer of consumer credit regulation from the Office of Fair Trading to the FCA in April 2014 will be highly significant.

In the 2011/12 tax year the Bank of England estimates that UK consumers borrowed £176 billion.[1] While not every UK resident holds financial products regulated by the FCA at the moment, on average. debt outstanding in consumer credit is approximately £6,000 per UK household.[2] There are currently just over 47,600[3] active consumer credit licence holders. Of these, 26,000[4] are OFT licensed only.

The FCA's interim regime will come into force on 1 April 2014 with the full regime planned to be introduced in 2016.

We have been strongly supportive of the changes. A single regulator will provide a consistent and integrated regulatory approach with more resource than the OFT.

While welcoming the transfer of the credit regime to the FCA, we believe it is not without challenges, not least given the exacting timescales involved.

In general we believe there are several key areas where significant focus and effort will be required by the new regulator:

- ensuring key protections from the Consumer Credit Act (CCA) are not lost;
- demonstrating a strong appetite for enforcement that promotes effective competition and delivers real value for consumers;
- ensuring flexibility (e.g. between risk categories) and ensuring greater early evaluation of relevant parts of the regime to ensure their effectiveness; and

1 This excludes mortgage lending: www.nao.org.uk/wp-content/uploads/2012/12/1213685.pdf

2 This calculation assumes there are 26.4 million UK households, data taken from the ONS. Please see: www.ons.gov.uk/ons/rel/family-demography/families-and-households/2012/stb-families-households.html

3 Europe Economics, Transfer of the Consumer Credit Regime: Compliance Costs and Firm Behaviour 6 March 2013

4 *A new approach to financial regulation: transferring consumer credit regulation to the Financial Conduct Authority*, the Treasury, Department for Business Innovation and Skills, March 2013.

- cooperating and building new partnerships, not only to clarify roles, but also to coordinate enforcement, achieve proactive compliance and to ensure all operators are aware of new arrangements.

We have responded to the recent Government and FCA consultations on proposals for the high-level regime and will continue to engage with this area as more specific and detailed proposals emerge.

Maintaining existing consumer protections

Our research commissioned last year (2011/12) and the related position paper analysing the consumer protection provisions in the Consumer Credit Act in detail helped us put robust and well informed arguments to the FSA and the Treasury.

The Panel also met with key stakeholders representing consumers and industry to identify both the challenges and opportunities presented by the new consumer credit regime.

The proposed change is a once in a generation opportunity to bring about a real improvement for consumers and to rebuild trust in the industry

Adam Phillips, Money Advice Liaison Group (MALG) Conference 28 November 2012

Banking

- Banks must act honestly, fairly and professionally by bringing an end to inappropriate incentive structures which reward product sales rather than developing long-term customer relationships.
- There should be mandatory, independent professional standards for bankers.
- Regulatory and Government action is necessary to create a dynamic banking sector, given that there appeared to be a worrying lack of effective competition.
- Banks should treat their customers fairly.

With the Financial Services (Banking) Reform Bill making its way through Parliament, LIBOR repercussions and the ongoing reverberations of the 2008 crash, banking has seldom been out of the public eye.

Banking reform legislation

We made numerous submissions and consultation responses on banking, including representations to the Parliamentary Commission on a range of issues, as well as to the Treasury and BIS consultation on the banking sector.

In the latter we urged the Government to consider whether the full separation of retail investment banking services should be required, given the numerous banking scandals and their impact on retail customers. We gave written and oral evidence to the Parliamentary Commission, questioning the culture of the UK banking industry and calling for:

- mandatory, independent professional standards for bankers;
- a duty of care to be imposed on bankers to tackle deep-rooted cultural problems responsible for unprecedented mis-selling scandals, unfair bank charges and poor complaints handling; and
- regulatory and Government action to create a dynamic banking sector, given that there appeared to be a worrying lack of effective competition.

Continuous payment authorities

We supported the FSA investigation into concerns that banks were not honouring their responsibilities under the terms of the Payments Services Regulations. The regulations state that consumers can cancel any future transaction at any time up to close of business on the preceding day. The transaction can be cancelled either with the trader or the payment service provider (the customer's bank or card issuer). Therefore banks should follow consumer instructions to cancel continuous payments without seeking further approval from the merchant.

Forced account closure

We took up concerns raised by BBC Moneybox and Rt. Hon Stephen Timms MP about cases where banks had closed consumer accounts and then effectively blacklisted them without providing a fair mechanism to appeal the decision. We are working with the BBA and the FCA to try to ensure that banks' behaviour complies with best practice in terms of ensuring appropriate use of the CIFAS[5] database and informing consumers of how to complain.

Access to banking

The European Commission's bank account initiative is a key element of its work for 2013. We have actively engaged in work on retail banking reform, and we responded in June 2012 to the Commission consultation on bank accounts. We argued that those who want to have a bank account should be able to do so. Access to basic retail banking services is a fundamental requirement for participation in everyday life. The key to the success of this initiative will be to ensure an appropriate set of features for such an account that make it useful and unlikely to cause consumer harm.

5 The UK's fraud prevention Service http://www.cifas.org.uk

‘Bankers need to have the same high professional standards as doctors and solicitors…’

Mike Dailly, giving evidence to the Parliamentary Commission on Banking Standards, 26 September 2012

‘It is vital that vulnerable consumers are protected but in a manner that does not deprive the creditworthy from accessing mortgage finance’

Adam Phillips, 25 October 2012

Mortgages

- Vulnerable consumers need protection, but not at the expense of creditworthy borrowers.
- Mortgage prisoners need to be protected from being exploited by lenders.
- EU mortgage directive proposals should dovetail with the Mortgage Market Review.

Mortgage Market Review (MMR)

As we set out in last year's Annual Report, the Panel has undertaken considerable work on the FSA's MMR. We argued that it was vital that vulnerable consumers were protected.

Mortgage prisoners

Mortgage Prisoners are those who are 'trapped' with their current lender on the Standard Variable Rate (SVR) because they do not meet new affordability requirements. They face an acute risk of being charged a higher interest rate due to their inability to move to another provider.

Our discussions with the industry have led us to believe that there is a great deal of uncertainty about how the evidential provision is working in practice and we have raised this issue with the FCA. We are continuing to push for a specific rule to protect Mortgage Prisoners; however, we feel that at the very least, further work needs to be done to clarify the currently drafted evidential provision so it achieves its intended aim and doesn't simply create confusion within the mortgage lending industry.

We will continue to engage the FCA on this issue and other issues of concern in the mortgage sector, such as the increase of SVRs.

The CARRP Directive

The EU CARRP (Credit Agreements Relating to Residential Property) or Mortgage Directive is making its way through the EU regulatory process. The Panel is monitoring developments on the directive and is active on the Treasury stakeholder group looking at the implications of this for UK consumers. We are particularly keen that it integrates as seamlessly as possible with the MMR.

Our priority:

To address the issues driving poor practices in the general insurance market with the aim of promoting better consumer outcomes.

General insurance

- There needs to be more focus on treating consumers fairly within the general insurance market.
- Consumers often do not understand what relationships exists between comparison sites, intermediaries and insurers.
- Policies tend to be promoted on price alone and that there was little other information for consumers to focus on.
- There has been a breakdown of the relationship between insurers and consumers, with consumers being treated as if all claims were fraudulent.

Given that most people in the UK have general insurance of some kind, we were keen to investigate a range of issues affecting consumers.

Sales practices

The industry culture around how consumers are treated within the sales and post sales process are crucial to consumer outcomes. Various developments in the industry have led to a move away from a relationship model to a transactional relationship and consumers not always being placed at the heart of sales and aftersales processes.

Quality and quantity of information

Policies tend to be promoted on headline price alone with little other information for consumers to focus on. This leads to problems subsequently arising when consumers try to claim and realise that they are not covered for something, or have extremely high excesses.

The FCA's 2013/14 annual plan stated that it will review the regulation of price comparison websites as it seeks to tackle misleading consumer information, and four of the major comparison websites have signed standards set out by the ABI aimed at ensuring consumers could look beyond price when comparing policies. Notwithstanding this, however, it would appear that comparison continues to be primarily promoted on headline price, with little focus on other variables, such as scope, exemptions or policy excesses.

Pre-sales

We identified several pre-sales areas of concern within the general insurance market. These include transparency and potential conflicts of interest, disproportionate ancillary charges, and high levels of consumer dissatisfaction with post sales and claims experiences.

Post-sales complaints handling and resolution

The greatest areas of dissatisfaction in general insurance are undoubtedly in post-sales, especially when consumers need to claim or make a complaint. According to Financial Ombudsman Service figures, most general insurance complaints relate to claims handling.

Consumers perceive a culture within the industry aimed at minimising claims. Insurers, for their part, are wary of consumers making fraudulent claims. Outsourcing claims management and loss-adjuster functions is perceived by some to have a harmful effect on customer service and raises questions around payment and incentivisation structures. In our view, conflicts and inappropriate incentives throughout the value chain create additional costs, prevent the market working effectively and lead to poor outcomes for claimants.

Next steps/actions

We recently hosted a workshop with the FCA to discuss our concerns and identify areas for potential future action and intervention. A position paper with further detail on this area of work will be published shortly.

‘Consumers need adequate and effective insurance products to protect their homes and families.’

Adam Phillips, 15 June 2012

Saving for later life

- Many people are saving too little for retirement.
- Most people will not get the income they expect from defined contribution pensions.

Half of all people yet to retire are not contributing to a pension. The situation for women is worse, with large numbers now not saving anything at all for retirement. Research has also demonstrated that nearly two thirds of consumers do not know how much money they need to save for their pension.[6]

Auto enrolment, NEST and access to advice

Over the past 10 to 15 years, most Defined Benefit (DB) schemes in the private sector have closed. Defined Contribution (DC schemes) are filling the gap and are the preferred model for auto-enrolment, which began for the largest schemes in October 2012 and will cover the entire private sector by 2018.

We support NEST and auto-enrolment, as we believe that these are positive steps for savers. However, we remain concerned that consumers need to be more strongly motivated to save enough for their retirement.

We are also concerned about the potential erosion of the value of workplace pensions saving by the cost of consultancy charges for advice to employers. Auto-enrolment has brought the issue of funding consultancy charges to the fore. We have been engaged in the debate about what needs to be done to ensure that members' pots do not dwindle as a result of consultancy charging, and we are pleased that the Government is actively assessing the concerns raised. We are also pleased that the Department for Work and Pensions (DWP) has decided to end consultancy charging.

Regulatory gaps and overlap

We want to see fair and equal treatment of all members of private sector workplace DC schemes under auto-enrolment, irrespective of whether these are contract or trust based (a feature over which the member has no control).

6 p15 Which Quarterly Consumer Report February 2013
www.which.co.uk/documents/pdf/quarterly-consumer-report-february-2013-310616.pdf

Without a single regulatory regime, we are concerned about the different standards that can apply to schemes under two different legal and regulatory structures. We are keen, therefore, to see concerted effort directed at ensuring that the standards set by The Pensions Regulator (TPR) for trust-based schemes are fully and demonstrably replicated by the FCA and the PRA, in the contract-based DC market. This is an important issue where we believe the Government should stipulate the minimum quality standard to which pension schemes must adhere.

‘We need a real move towards engaging people in pensions. They are very boring to young people and changing that means a re-evaluation of the products’

Kay Blair quoted in Money Marketing,1 May 2012

Our priority:

To influence the debate on issues impacting consumers' income levels in retirement, focusing on one or two areas of potential detriment and seeking to promote better consumer outcomes.

Income in later life

- Too few people understand the benefits of shopping around for an annuity by taking the open market option.
- All employees are entitled to a fair and equal treatment irrespective of the type of pension scheme they belong to.
- People need access to sufficient advice when purchasing an annuity.

The process of converting savings into an income for retirement was always unsatisfactory and has become a much greater problem with the withdrawal of defined benefit pension schemes in the private sector.

With defined contribution pension schemes, the most common form of converting savings into an income is annuitisation. This gives the consumer a lifetime income from an initial lump sum investment. Apart from in the case of an investment-linked annuity, the income is guaranteed for life no matter how long this proves to be. Once purchased, the choice of annuity is irrevocable. It is therefore essential that the consumer searches for the most suitable annuity for them, which delivers the best income.

The Open Market Option

When annuitising consumers do not need to purchase from the same provider with whom they saved. Under the Open Market Option (OMO) they have the right to purchase from a different provider. However, few consumers do this. In 2012, research published by the Institute for Fiscal Studies found that, despite the fact that annuity rates vary widely, over the last decade 70% of people with non-employer DC pension funds simply purchased an annuity from the provider with whom they held their pension This is despite the fact that shopping around can have material benefits. More needs to be done to make consumers aware of this.

Access to advice when securing an annuity

We have been investigating whether consumers are getting sufficient advice about their options when they convert their savings pot into a pension, including whether they are sufficiently engaged in the process. We plan to publish findings of our research into consumer experiences of annuitisation.

However, early indicators and previous research suggest that consumers need better advice about their options for retirement, including access to timely and appropriate information that makes clear the benefits of shopping around and of taking advice. They also need to be made aware of the distinction, in terms of consumer protection, between regulated advice and execution-only guidance that may appear to be regulated advice to consumers.

Equity release

We are concerned that equity release schemes may not be working in favour of consumers. Given the increasing importance of this form of decumulation, we have undertaken some scoping work to better understand the extent of the market and the risk of consumer harm. We will be holding a roundtable in 2013/14 to debate some emerging issues and potential risks.

‘…when it comes to decumulation, it is vital that people about to retire shop around and ensure they get the most appropriate annuity and the best deal.’

Kay Blair, Westminster & City, DC Outcomes Conference, 12 March 2013

Our priority:

To influence the content of the Financial Services Bill with the aim of enhancing consumer protection standards.

Regulatory reform and the Financial Services Act 2012

- New competition powers have the power to deliver real consumer benefits.
- The FCA should go further to publicly name firms that fail to observe the required standards.
- An effective working relationship between the new regulators and their EU counterparts is crucial.
- The FCA may 'have regard' to access when fulfilling its competition objective.

The reconfiguration of UK financial services regulation has profoundly changed the outlook for future consumer protection.

The Financial Services Act 2012

The Financial Services Act 2012 is now in force. The remaining change, discussed more fully in Chapter 3, is the wholesale transfer of consumer credit regulation from the OFT to the FCA.

The key aspects of the legislation from our perspective were competition, transparency, access and the interrelationship of the new regulators. Otherwise, we have urged the FCA to ensure that the obligation of firms to treat their customers fairly is applied throughout the new regulatory regime.

Competition powers

We had argued for the FCA to be given effective competition powers to enable it to deliver its statutory objectives. We were therefore very pleased that it was given a new competition objective and wider competition powers in the legislation. However, the Panel argued that the Government should go further and supported the view of the Joint Committee on the Financial Services Bill that the FCA should have concurrent competition powers, in respect of a Market Investigation Reference (MIR), with the OFT. By giving the FCA these powers, a single organisation would tackle significant market issues, such as the PPI debacle, without the substantial delay introduced through referral to another body.

We believe that the effective use of competition powers will enable the FCA to deliver real benefits for consumers. The Panel will be examining the implementation of this new regime in detail to see how the FCA uses its competition objective and competition duty.

Transparency

We influenced the Government's review of sections 348 and 349 of FSMA that jointly govern the disclosure of information, resulting in the recent FCA consultation on Transparency DP13/01. We have called for the FCA to be able to use publicity of relevant information that it possesses about firm's behaviour as a regulatory tool. The publication of consumer complaints by a named company and our campaign to get warning notices published are examples of how publicity can be used to influence firms' behaviour.

Access

As a result of our work, the FCA, when fulfilling its competition objective, may 'have regard' to the ease with which consumers can access financial services. This represented a significant achievement for us and our consumer group partners. We will continue to press the FCA to ensure it uses its powers to enhance consumer access.

Coordination of the PRA and FCA and the relationship with European regulators

One of the main remaining issues is the coordination between the new regulatory bodies. The switch to prudential and conduct regulation will only be an improvement if it is sufficiently joined up. The Panel therefore provided input into the International Memorandum of Understanding between the Treasury, the Bank of England, the FCA and the PRA.

'It has taken three years to translate the Government's ideas on regulatory reform into the reality of the new FCA. With its enhanced consumer protection mandate, we expect the FCA to build on the FSA's recent work and introduce an era of effective consumer protection.'

Adam Phillips, 1 April 2013

Our priority:

To promote more effective representation of the consumer interest at EU level in order to ensure better outcomes for UK consumers.

Effective consumer representation at EU level

- Value, access, redress and policing should be the four pillars of consumer protection.
- The work that has been done on reforms to the regulation of financial instruments (the MiFID II Directive and MiFIR Regulation) contains hard-fought consumer protections including restraints on charging commission which should be retained and extended further.
- Consistency should be maintained between the consumer protection aspects of the insurance mediation, packaged retail investment products directives and retail banking initiatives.

Our major policy initiative in 2012/13 was the launch of our Four Pillars strategy on World Consumer Rights Day. We set out four principles – access, value, redress and policing – which could be used to test any new measures in EU directives and regulations. We argued that if applied consistently, they could enshrine the consumer perspective in new and developing legislation:

1. There must be universal and real **access** for consumers to the financial services they need.
2. Financial services must offer **value** to the customer; charges and costs must be fair, transparent and proportionate.
3. Consumers must have practical access to binding **redress**, no matter where they are located.
4. **Policing** the financial services landscape must also be effective with tough enforcement and appropriate penalties.

The arrival of the UK's new regulators coincides with the review of the European supervisory authority. We have always asked for scrutiny of how a structure in the UK, which separates responsibility for prudential and conduct of business supervision, interacts with a structure at EU level, which operates across sectors. We will be observing the review closely in the coming year.

We started research in 2013 to examine the landscape of consumer representation in financial services in Europe, to identify best practice and make recommendations to help the voice of the consumer be heard with equal force to that of the industry.

Markets in Financial Instruments Directive (MiFID II and MiFIR)

In line with our work on the Retail Distribution Review (RDR), we has sought a European ban on provider commission for giving financial advice. We lobbied for such a ban along with Which? in the UK and the pan-European consumer organisation BEUC.

Insurance Mediation Directive (IMD II)

We welcomed the review of the Insurance Mediation Directive currently underway, and the proposals that would extend its scope to all sellers of insurance products, including insurance companies selling directly to consumers. However, we are concerned about attempts to water down consumer protection as the legislation has progressed through Parliament.

Packaged Retail Investment Products (PRIPs)

The PRIPs proposals will create a standardised Key Information Document (KID) for financial products. We think that the proposals are becoming over ambitious. What started as a simple document to help consumers is in danger of expanding to cover such a wide range of information that it will be both impractical to produce and unfeasibly complex to understand.

Alternative Dispute Resolution (ADR)

We have strongly supported the use of alternative dispute resolution processes, like the Financial Ombudsman Service, which will provide better protection for UK consumers as the single market in financial services develops. As well as the Alternative Dispute Resolution Directive itself, the subject arises in other legislation – both the IMD and PRIPs proposals include provisions for access to alternative dispute resolution.

We want to ensure that these are consistent both with each other and with the ADR Directive. This could result in legal uncertainty over what rights consumers have and what processes they can use if a dispute arises.

There needs to be a dialogue involving consumer bodies, legislators, regulators and supervisory bodies to ensure that consumers get a fair deal and that their rights are safeguarded and promoted.

Adam Phillips, World Consumer Rights Day 15 March 2013

The RDR and simple financial products

- The end of commission brought about by the Retail Distribution Review will bring benefits for consumers.
- The Money Advice Service should be commended for its proposed work on linking financial planning to life events, working with the Department for Work and Pensions in providing support to potential universal credit customers, product choice and customer satisfaction.
- Straightforward products and low cost advice are still needed if people are to become more capable financially.

Retail Distribution Review (RDR)

We hailed the arrival, in December 2012, of the end of commission for advised sales of investments with the introduction of the RDR. We had consistently argued that the RDR requirements around greater transparency of charges would enable consumers to assess value for money and, ultimately, encourage them to shop around. We also believed that financial advisers meanwhile would enter a new era of professionalism and improved ethical standards.

This has been proven by the rising numbers of Diplomas in Financial Planning and the numbers of professional financial planners who already meet, or exceed, the RDR qualification requirements. We have found this encouraging; especially as we have always argued that Level 4 should be seen as just the beginning and that even higher standards would be welcome.

There still remain some areas for concern around the implementation of the RDR; not least, possible manipulation of the passporting facility by firms based elsewhere in the EU where regulation is less rigorous. We are keen that the FCA remains vigilant in its scrutiny of RDR implementation, particularly in ensuring firms adhere to the spirit as well as the content of the law.

The Sergeant review of simple financial products

We welcomed the work that Carol Sergeant undertook in her review. We have argued for some years that straightforward-outcome products are necessary to give consumers who want to buy without regulated advice suitable products for everyday life. We therefore engaged with the working groups developing these products and responded to the interim report in October 2012

While the momentum behind developing models for providing lower cost ‘simplified advice’ appears to have stalled, the Panel remains of the view that more work still needs to be done by both the FCA and the industry to devise a more cost-effective framework for ensuring accessible low cost advice linked to more straightforward products. This will encourage better behaviour in savings, protection and the use of credit by stimulating experience of products that are good value and behave as expected. It should therefore help to raise the financial capability of the public.

‘The Panel has backed the RDR from the outset. Consumers will benefit greatly from knowing that advisers are acting in their clients’ interests, uninfluenced by payments made by product providers.’

Kay Blair, PFS Conference, 28 September 2012

‘The Panel is keen to continue building a closer relationship with the Money Advice Service to help it deliver the unquestionable benefits of a national generic advice service.’

Adam Phillips, 11 February 2013 response to the MAS business plan consultation 2013/14

Money Advice Service (MAS)

- MAS analysis on lifestyle, customer segmentation, product choice and customer satisfaction will be crucial to ensuring future effectiveness.
- Joint initiatives to signpost consumers to advice and resources are welcome developments.
- Better measurement of the impact of activities and engagement with consumers is key to establishing a successful service.

Money Advice Service

We commented on the Money Advice Service's business plan in February 2013. We thought it was a considerable improvement on previous plans, with clearer focus and prioritisation. We commended the Money Advice Service for the work it is proposing on lifestyle, customer segmentation, product choice and customer satisfaction. We believe this kind of analysis will be critical to the Money Advice Service's evidence base and to determining and improving its effectiveness in the future.

We also welcomed the joint initiatives that MAS is planning, which will help signpost consumers to other appropriate sources of information and advice. We stressed that proactive engagement with consumers to keep reminding them of the value and relevance of the service, would be key to establishing a successful service.

We also made several suggestions as to how the Money Advice Service could move forward:

- better measurement of the impact of interventions such as increasing financial capability;
- direct greater resources to financial capability; and
- developing effective partnerships to facilitate public engagement.

While the momentum behind developing models for providing lower cost 'simplified advice' appears to have stalled, the Panel remains of the view that more work still needs to be done by both the FCA and the industry to devise a more cost-effective framework for ensuring accessible low cost advice linked to more straightforward products. This will encourage better behaviour in savings, protection and the use of credit by stimulating experience of products that are good value and behave as expected. It should therefore help to raise the financial capability of the public.

Compensation and redress

- The FCA should take a tougher stance on enforcement to drive good behaviour by firms.
- The Ombudsman should take account of new methods of communication in its working practices.
- The compensation provided by the FSCS remains vitally important to consumers and should be extended through bank authorisation for each brand.

Enforcement

Over the last few years the FSA started to take a tougher stance on enforcement with the levying of larger fines. We commended this approach and urged the FCA to go further. We called for higher penalties on firms to discourage poor industry practices. We also called for the FCA to use analytical resources, rule-making and enforcement powers to promote effective competition that delivers real value to consumers.

Financial Ombudsman Service (FOS)

We have continued to praise the work of the FOS. We have closely monitored how the FOS has continued to deal with the huge number of Payment Protection Insurance claims that are reaching it. We are confident that they are not diluting the quality of their casework, even though they have had to expand rapidly. We are also pleased that other casework is not being squeezed out by PPI cases.

Financial Services Compensation Scheme (FSCS)

The FSCS has remained high on our agenda. In April 2012 we responded to the consultation on removing FSCS's contact details from firm correspondence with consumers arguing strongly for their retention. We advocated continuing to include all appropriate FSCS contact details in the deposit takers' compensation disclosure documentation.

In October 2012 we responded to the consultation on the FSCS's funding model. We stressed that we considered the FSCS an essential consumer protection mechanism. However, we did go on to argue that the compensation arrangements needed strengthening in key areas. We argued for bank authorisation by brand to clarify the compensation arrangements for consumers. This can be confusing because of multiple brands under the same authorisation.

We also urged the FSCS to consider raising the £85,000 protected sum in the case of temporary high balances, and we called again for consistent compensation arrangements for Self Invested Personal Pensions (SIPPs). Presently, there is a difference in compensation limits between insured and trust-based schemes. We have also followed the debate on alternative dispute resolution at EU level, and have expressed concerns that there is a lack of coordination between various initiatives that address this area.

‘In the past the FSA took too long to investigate consumer harm leaving consumers to suffer. The FCA has strengthened analytical resources and enforcement powers, it has to use them vigorously if it is to make a difference.’

Adam Phillips, December 2012

Consumer vulnerability

- Greater clarity over terminology is needed.
- A more sophisticated framework is necessary to define consumes who are vulnerable or disadvantaged.
- Three concepts are needed to disentangle the different types of risk that consumers experience.

We have been concerned that terms such as consumer disadvantage' and 'vulnerability' are used interchangeably in the public debate.[7] As a result we published a paper on defining consumer disadvantage and vulnerability in December 2012.

The paper addresses our concerns over the inconsistent and interchangeable use of these terms. Vulnerable consumers are not simply those on low incomes. Equally, pensioners, those with long-term health conditions and rural communities are not always vulnerable or disadvantaged. These generalisations don't help for consumers and represent an unsophisticated approach to regulation.

There is an option for financial services regulation to move beyond outdated approaches to identifying the risk of consumer harm. We will therefore be encouraging the adoption of a more sophisticated framework to define consumers who are vulnerable or disadvantaged:

- recognising the distinction between being vulnerable to the risk of harm and actually experiencing it;
- capturing diversity both within and between different consumer groups and recognising the experiences of consumers who fall outside groups commonly perceived to be vulnerable;
- going beyond a consumer's personal characteristics or income, taking a wider view of their circumstances, resources, experiences and expectations; and
- highlighting the way that the actions of the regulator and providers can make it more risky for consumers to access or use goods and services.

In terms of defining vulnerability, we put forward three concepts intended to disentangle the different types of risk that consumers experience.[8] We hope that this will make it easier to use consistent language and take the required regulatory action.

7 OFT *Vulnerable Consumers and Financial Services*, 1999; United Nations Economic and Social Council, *Enhancing social protection and reducing vulnerability in a globalizing world*, 2000; DTI *Comparative Report on Consumer Protection Regimes*, 2003; Consumer Focus Board report, 2010

8 Adapted from Whyley C *Defining disadvantage*, National Consumer Council, 2008

Vulnerability – means a higher risk of harm – but not necessarily that it has occurred. We will use this to illustrate issues presenting a potential risk that requires proactive engagement by the FCA. Evidence of actual harm should not be necessary before taking action.

At a disadvantage – highlights the extent to which consumers can be put at a disadvantage by the actions of firms. We will use this term to inform the FCA of cases where the activities of regulated firms can significantly increase the risk of detriment to consumers.[9]

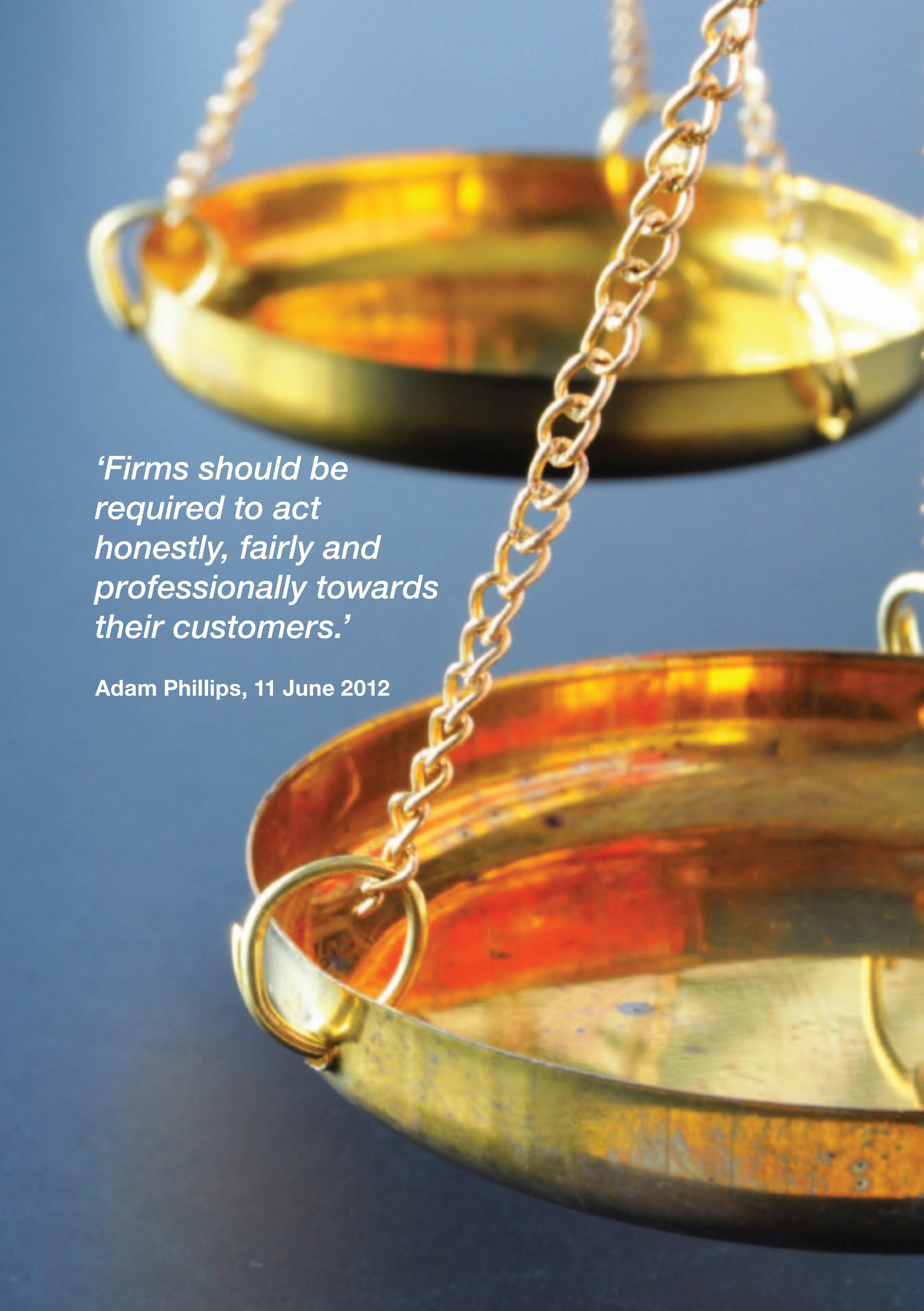
Consumer disadvantage – refers to real disadvantage. We will use this term to urge the FCA to take speedy action to address risk that has or will imminently occur causing actual harm.

Further detail on each of these concepts is set out in the full paper. We hope that his will be a powerful tool for us. We also hope that it will better inform the debate on the nature of consumer vulnerability.

9 George M and Lennard L *Consumer disadvantage: the role of providers* National Consumer Council, 2008

‘If the FCA is to deliver, either directly or through the firms and markets it regulates, better and fairer outcomes for consumers it needs to understand better how consumers think about their financial affairs and how they make decisions’

Adam Phillips, 14 December 2012, p5 Consumer Panel response to the FSA ‘Journey to the FCA document’



‘Firms should be required to act honestly, fairly and professionally towards their customers.’

Adam Phillips, 11 June 2012

Getting the balance right between firms and consumers

- There needs to be a fair balance of responsibility between firms and consumers.
- Firms should owe a duty of care to their customers to act honestly, fairly and professionally.

One of the key issues that arose out of the debate on financial services legislation last year was the balance of knowledge and power between industry and consumers. It is often the case that the financial services industry has a hugely disproportionate balance of knowledge when compared to its customers.

The Government recognised this asymmetry in the Bill. However, the Panel did not believe the new requirements for firms to owe consumers an appropriate level of care or to give accurate and timely information went far enough. We argued that those providing financial services should owe their customers the same duty of care as a lawyer or other professions.

Our amendment called for a clear responsibility to be placed on firms to act honestly, fairly and professionally in the best interest of their customers and to manage conflicts of interest. We believed including a Duty of Care provision in the Financial Services Act would have helped deliver a step change in the regulatory approach to protecting consumers.

While our amendment was not progressed, the debate continues in the context of the Financial Services (Banking Reform) Bill.

The concept of 'consumer responsibility' has long been an issue of concern for us and in 2012 we produced a Position Paper clearly setting out our view on it. We struggled to identify further actions consumers should be obliged to take, particularly given the complex nature of financial products and the imbalance of knowledge when compared to the industry. We welcomed sensible actions consumers should take when engaging in financial services, and recognised the five general common law legal principles already placed on consumers to act reasonably, in good faith, to participate in the transaction, to disclose relevant information and to act properly and in good time.

The debate on consumer responsibility has been reinvigorated through the general principle within the Financial Services Act 2012 that consumers should take responsibility for their decisions. We will continue to work with others to identify a fair balance of responsibility between firms and consumers.

Appendix 1: Biographies of Panel members

Adam Phillips – Chair

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 – 11/11 eligible to attend.
Attendance at working group meetings – 30/33

Kay Blair – Vice Chair

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, Business Perceptions. She is also Chair of the Scottish Housing Regulator, Vice 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-Chairman of the Panel in October 2009.

Attendance at Full Panel meetings – 11/11 eligible to attend.
Attendance at working group meetings – 29/33

Stephen Crampton
(Retired from the Panel 31 August 2012)

Stephen is an independent EU and consumer affairs consultant with over 25 years of knowledge of consumer and regulatory issues at EU and UK level. Previously he was EU Adviser at Which? and was responsible for developing their European strategy and for policy research on EU issues. Previous to that he was director of the Consumers in Europe Group and also held various roles at the National Council for Voluntary Organisations.

Attendance at Full Panel meetings – 4/4 eligible to attend.
Attendance at working group meetings – 8/8

Mike Dailly

Mike is Principal Solicitor and Director of Govan Law Centre, Glasgow, one of the largest community-based 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. Mike was a Member of the Secretary of State for Scotland's Poverty Advisory Group until 2010. He is a past Chairman of the Active Learning Centre, a small international human rights charity, Legal Advisor to the UK Sustainable Home Ownership Partnership, and a Member of the Child Poverty Action Group in Scotland's Advisory Panel.

Attendance at Full Panel meetings – 10/11 eligible to attend.
Attendance at working group meetings – 21/22

Teresa Fritz

Teresa is an independent consumer finance consultant specialising in the provision of financial information,guidance and advice to consumers. Until recently she was Head of Content and Product Development at MoneyVista.com, a financial website which helps consumers manage and take control of their money. Before 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 and working 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 – 7/11 eligible to attend.
Attendance at working group meetings – 10/11

Fiona Fry

Fiona Fry is a senior Partner in KPMG's Financial Services practice. Fiona has been involved in consumer-related regulation for over 20 years, including a role as Head of Investigations at IMRO and then the FSA, before joining KPMG in 1999. During her time as a regulator, Fiona led many reviews and investigations of mis-selling and other customer-related matters, such as client money and assets. Fiona leads KPMG's Financial Sector Regulatory Risk Consulting practice and, since taking up Partnership at KPMG, she has played an integral part in KPMG's Retail Financial Services work.

Attendance at Full Panel meetings – 7/11 eligible to attend.
Attendance at working group meetings – 8/11

David Harker (Retired from the Panel 30 March 2013)

David Harker is a Non-executive Director of the Gas and Electricity Markets Authority, the gas and electricity regulator, and a member of the Council of the Advertising Standards Authority, which regulates advertising in the UK. For 13 years he was the Chief Executive of Citizens Advice, the national body for Citizens Advice Bureaux. Previously he spent eight years as the Managing Director of Sense, the national disability charity. David has an MBA from the London Business School and a masters in social policy. His earlier career included management consultancy and working as a policy analyst for a local authority. David received an OBE in 2003 and a CBE in 2011. In 2009 he was made a Companion of the Chartered Management Institute.

Attendance at Full Panel meetings – 9/11 eligible to attend.
Attendance at working group meetings – 13/15

Frances Harrison

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 – 11/11 eligible to attend.
Attendance at working group meetings – 22/22

Bill Martin

Bill is an experienced macroeconomist and a Senior Research Associate of the Centre for Business Research at the University of Cambridge. He was a Specialist Adviser in the UK Cabinet Office Central Policy Review Staff (1981 – 1983) and a Specialist Adviser to the House of Commons Treasury Committee (1986 – 1997). Between 1983 and 2004, he held senior roles, including that of chief economist at the investment banking and fund management arms of the Swiss bank UBS.

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

Jonathan May

Jonathan had a wide-ranging career in the civil service, primarily at the Treasury and the Office of Fair Trading. Since leaving the OFT in 2010, Jonathan has become a Member of the Competition Appeal Tribunal, a member of the board of Consumer Focus (now Consumer Futures) and a Special Adviser on consumer, competition and regulatory issues for Finsbury International Policy and Regulatory Advisers. 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.

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

Pamela Meadows

Pamela Meadows is an economist who specialises in the labour market and social policy issues. She has a particular interest in the experiences and life chances of disadvantaged groups. She is currently a visiting Fellow at the National Institute of Economic and Social Research. Previously, she was Director of the Policy Studies Institute, and before that spent nearly 20 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

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. In May 2011 Niamh was appointed by the Board of Supervisors of the new European Securities and Markets Authority (ESMA) to its advisory Securities and Markets Stakeholder Group as an academic representative.

Attendance at Full Panel meetings – 9/11 eligible to attend.
Attendance at working group meetings – 17/22

Dan Plant

Dan Plant is Head of Editorial at MoneySavingExpert.com. His eight years at MSE have involved major input and oversight of campaigns including reclaiming mis-sold payment protection insurance, unfair bank charges and improving financial education in the UK. The core part of his role is creating and managing the consumer-focused content on credit, banking, insurance, mortgage, household bills, helping the website's 13 million monthly users save money in almost all areas of life, as well as developing innovative new tools to bring financial information to new audiences.

Attendance at Full Panel meetings – 8/11 eligible to attend.
Attendance at working group meetings – 8/11

Faith Reynolds

Faith is a freelance consultant, skilled in cross sector collaboration with significant experience in the social sector. Faith is a 2010 Clore Social Fellow with a keen interest in furthering social leadership across the public, private and voluntary sectors. Faith has previously spent time at the Institute for Government and also undertook a short placement at Prudential as part of the Clore Social Leadership programme. Before this, 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 helped over 10,000 people manage their money more effectively. In 2004 Faith founded Transact, the national forum for financial inclusion which continues today.

Attendance at Full Panel meetings – 9/11 eligible to attend.
Attendance at working group meetings – 10/11

Lindsey Rogerson (Retired 31 December 2012)

Lindsey is a freelance financial journalist, and currently writes for The Herald and Sunday Herald, as well as contributing to numerous other publications and websites, including her column in Aurora. She was chosen as European Private Equity Journalist of the Year 2005/6. Previously she has been Personal Finance Editor of The Scotsman and editor of Private Banker International.

Attendance at Full Panel meetings – 8/8 eligible to attend.
Attendance at working group meetings – 14/16

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 is a member of the Finance and Leasing Association Lending Code Group, the Advertising Advisory Committee, the Board of Lenders Compared and a former member of the Financial Inclusion Taskforce. Previously, Claire was Head of Consumer Futures and Deputy Director of Policy at the National Consumer Council until the end of 2008.

Attendance at Full Panel meetings – 10/11 eligible to attend.
Attendance at working group meetings – 19/22

Debbie Harrison (Joined the Panel 1 September 2012)

Dr Debbie Harrison is a Senior Visiting Fellow of the Pensions Institute at Cass Business School. She specialises in defined contribution and defined benefit systems in relation to mortality and morbidity, and behavioural economics. She is a consultant to the Organisation of Economic Cooperation and Development (OECD), where she is a co-author of global analytical pension systems reports. 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 – 7/7 eligible to attend.
Attendance at working group meetings – 7/7

Jeff Salway (Joined the Panel 1 September 2012)

Jeff Salway is a freelance journalist who for the past five 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 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. 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 – 6/7 eligible to attend.
Attendance at working group meetings – 12/14

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; and we were supported by a Secretariat of 7 FTE FSA staff. This arrangement will continue in the new FCA and the Panel will continue to be supported by FCA 7 FTE staff. Actual expenditure in 2012/2013 was £649,000.

	Budget April 2012–March 2013 (£000)	**Actual April 2012–March 2013** (£000)	**Actual April 2011–March 2012 (£000)**
Panel Members' fees[1] and expenses	332	407	372
Professional fees[2]	236	85	95
Sundries[3]	258	158	279
Total	**825**	**649**	**745**

1. The fees are exclusive of employers' National Insurance contributions paid by the FSA. 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	£30,000 per annum
WG Chairs (55 days)	£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	£13,000 per annum

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

Appendix 3: Meetings with external bodies

Adam Samuel

Age UK

All Party Parliamentary Group on Debt and Personal Finance

AMI

Associate Parliamentary Group on Wholesale Financial Markets and Services

Association of British Insurers (ABI)

Association of Professional Financial Advisers (APFA)

Aviva

AXA

Baigrie Davies

British Bankers Association (BBA)

BEUC – the European Consumers' Body

BSA

Citizens Advice Bureau (CAB)

Centre for European Policy Studies (CEPS)

Council of Mortgage Lenders (CML)

Consumer Focus

Consumers International

Dean Fathers (Director of CASS re Dilnot Report)

Department for Work and Pensions (DWP)

European Banking Authority (EBA)

European Insurance and Occupational Pensions Authority (EIOPA)

European Securities and Markets Authority (ESMA)

European Commission

European Medicines Agency

European Parliament

Federal Service for Control of Consumer Protection in Russia (Rospotrebnadzor)

Fidelity

Finance Watch

FLA (Finance and Leading Association)

FOS (Financial Ombudsman Service)

FRC Actuaries User Group

HM Treasury

Institute for Consumer Policy (ConPolicy)

Investment Management Association (IMA)

Lloyds Banking Group

Lloyds Banking Group

Met Life

Money Advice Service (MAS)

NEST

NEST Consumer Panel

OECD

Office of Fair Trading (OFT)

Prudential

Royal London

Scope

Shelter

Treasury Select Committee

UK Cards Association

Which?

Wonga

Appendix 4: Events at which the Chair, Vice Chair or Members of the Financial Services Consumer Panel have spoken

19 March 2013 – Adam Phillips to the Centre for Public Scrutiny: Why public scrutiny and accountability matter to financial services

12 March 2013 – Mike Dailly to the BBA Complaints Seminar: Is British retail banking still at the crossroads?

12 March 2013 – Kay Blair to the Westminster & City conference on DC Outcomes

8 March 2013 – Kay Blair to the Council of Mortgage Lenders Annual Scottish Lunch

26 Feb 2013 – Adam Phillips to Chartered Insurance Institute: Protecting consumers: The opportunities and challenges for the new model of financial services regulation

4 Dec 2012 – Mike Dailly at the University of Glasgow Ethics Colloquium: Regulating banks and financial services

4 Dec 2012 – Kay Blair at the EIOPA Consumer Strategy Day

28 Nov 2012 – Adam Phillips at the MALG conference: Credit – New world or old wine in new bottles

27 Nov 2012 – Adam Phillips at the FSA International Regulators Seminar: Putting Consumers at the Heart of Regulation

15 Nov 2012 – Adam Phillips “Panel of Optimists” at the Financial Services Forum

28 Sept 2012 – Kay Blair at the PFS conference: Crossing the Retail Distribution Review Rubicon – the Benefits of the RDR for consumers

18 Sept 2012 – Mike Dailly at the BBA EU Regulatory Update Seminar: EU banking reform – treating the symptoms or providing the cure?

13 Sept 2012 – Adam Phillips at ABI fraud conference

17 July 2012 – Mike Dailly at the 2012 Industry Summit on Consumer Insurance Law

3 July 2012 – Adam Phillips at the FSA Annual Public Meeting

27 June 2012 – Adam Phillips at the Westminster & City Conference: Is There An Advice Gap?

31 May 2012 – Kay Blair at the Insurance Society of Edinburgh on the Retail Distribution Review

30 April 2012 – Kay Blair to Scottish Financial Enterprise on EIOPA and EU legislation

19 April 2012 – Kay Blair at the City UK Pensions Conference: What does good look like?

12 April 2012 – Kay Blair at the ABI: Panel on EIOPA and EU legislation

Appendix 5: Panel publications, research and responses to consultations

Position Papers

15 March 2013	Four Pillars to enhance consumer protection position paper
December 2012	Position paper on defining disadvantage and vulnerability
May 2012	Position paper on advice
May 2012	Position paper on regulatory transparency

Research

July 2012	The FSA's Conduct Regulation Regime – Review

Responses to Consultations

27 March	Pensions Regulator: Regulating work-based defined contribution pension schemes
19 March	FSA's consultation CP12/38: Mutuality and with-profits funds: a way forward
14 March	FSA consultation on guidance under section 234F relating to super-complaints and section 234D references
12 March	Achieving consistent and high quality Debt Advice: an approach to standards and quality assurance for the debt advice sector
27 February	Ombudsman consultation on: Changes to the dispute resolution (complaints)
26 February	HM Treasury consultation: Credit union maximum interest rate cap
11 February	Money Advice Service Business Plan 2013/14
8 February	Financial Services Ombudsman Service Consultation: our plans and budget for 2013/2014
25 January	Further evidence to the Parliamentary Commission on banking standards – sanctions for bank Directors
17 January	CP12/37** The Financial Services Act 2012: implementing markets powers, decision making procedures and penalties policies
17 January	CP12/29** Personal pensions – feedback to CP12/5 and final rules on disclosures by SIPP operators, and consultation on

	inflation-adjusted illustrations
17 January	CP12/35*** The FCA's use of temporary product intervention rules
8 January	CP12/33** A new capital regime for Self-Invested Personal Pension operators
21 December	Consumer Panel response to the HMT consultation: Secondary Legislation – Financial Services Act 2012
14 December	FSA consultation: Journey to the FCA
12 December	CP12/24 – Regulatory Reform: PRA and FCA regimes relating to aspects of authorisation and supervision
11 December	CP12/26** Regulatory reform: the PRA and FCA regimes for Approved Persons
11 December	CP12/23** – Addressing the implications of non-EEA national depositor preference regimes
7 December	ESMA consultation paper: Guidelines on remuneration policies and practices (MiFID)
5 December	CP12/27* Chapter 8: changes to the Collective Investment Schemes sourcebook
3 December	ABI Consultation on annuity rate transparency
30 November	CP12/22 Clients assets regime: EMIR, multiple pools and the wider review
14 November	CP12/19*** Restrictions on the retail distribution of unregulated collective investment schemes and close substitutes
5 November	CP12/27* Quarterly consultation No 34
31 October	CP 12/20 Client Money Rules for Insurance Intermediaries
31 October	GC 12/11 Risks to consumers from financial incentives
29 October	CP 12/17 Packaged Bank Accounts
25 October	12/16 FSCS Funding Model Review
12 October	Sergeant Review interim report
10 October	HMT consultation on UK Payments Strategy
3 October	Claims Management Regulation: Proposals for amendments
28 September	HM Treasury Consultation: Sanctions for the directors of failed banks
24 September	HMT consultation Financial Sector Resolution: Broadening the Regime
10 September	Solicitors Regulation Authority consultation on independent financial advice
7 September	Wheatley Review of Libor
6 September	HMT/BIS consultation on reforming the banking sector
24 August	Parliamentary Commission on Banking Standards
23 August	Guidance Consultation: Examples of good and poor practice in banks' defences against investment fraud

10 August	CP12/10** Product projections and transfer value analysis
9 August	CP12/12** Payments to platform service providers and cash rebates from providers to consumers
31 July	CP12/9 Consumer redress scheme in respect of unsuitable advice to invest in Arch cru funds
12 June	Commission consultation on bank accounts
01 June	Consultation by the High-level Expert Group on reforming the structure of the EU banking sector
16 May	FSCP Comments on the Draft Memorandum of Understanding between the FCA and PRA
16 May	Draft Memorandum of Understanding on international organisations
11 May	CP12/5 – Chapter 5: Pension scheme disclosure proposals
27 April	Additional evidence to the Kay Review
26 April	CP12/7: Financial Services Compensation Scheme - Changes to the Compensation soucebook
5 April	CP response to Retail Distribution Review - Independent and Restricted Advice
03 April	Consumer Panel Response to GC12/04: PPI Customer Contact Letters

Consumer Bulletin

April 2013	EU Consumer Bulletin
January 2013	Issue 2
October 2012	Issue 1

Legislative briefings

20 February 2013	Consumer Panel PRIPS Position Paper
20 February 2013	Consumer Panel Insurance Mediation Directive Position Paper
2 November 2012	Consumer Panel briefing on the Financial Services Bill – Lords Report Stage
26 September 2012	Consumer Panel letter to Sharon Bowles MEP: Banning commission for investment advice in MiFID
25 September 2012	Consumer Panel letter to MEPs: Why rebating commission to customers is an unacceptable compromise
June 2012	Joint letter regarding MiFID to MEPs
June 2012	Consumer Panel briefing on the Financial Services Bill Competition amendment

Panel terms of reference

The Financial Services Consumer Panel ('the Panel') is established by the Financial Services Authority (FSA) under the Financial Services and Markets Act to represent the interests of consumers. The Panel is independent of the FSA and can speak out publicly on issues where it considers this appropriate.

Panel Members are appointed by the FSA in accordance with Nolan principles, in order to represent consumers, with HM Treasury's approval in the case of the Chairman. The FSA Board approves the Panel's annual budget and provides a dedicated Secretariat to support the Panel.

Scope
The main purpose of the Panel is to provide advice to the FSA. As such it does not carry out responsibilities on behalf of the FSA. For example, the Panel does not undertake consumer education, nor does the Panel take up individual consumer complaints.

The emphasis of the Panel's work is on activities that are regulated by the FSA, although it may also look at the impact on consumers of activities outside but related to the FSA's remit.

The Panel will have regard to the interests of all groups of consumers including those who are particularly disadvantaged in the context of financial services, including consumers who have little or no access to financial services.

Purpose
The Panel will:

a. represent the interests of consumers by advising, commenting and making recommendations on existing and developing FSA policy and practices as appropriate;
b. speak on behalf of consumers by reviewing, monitoring and reporting to the FSA on the effectiveness of the FSA's policies and practices in pursuing its duties; and
c. keep under review and influence actual and potential developments in financial services to enable it to fulfil (a) and (b) effectively.

In addition, it can advise the government on the scope of financial services regulation.

The Panel can consider other matters that assist it in carrying out its primary functions.

Accountability
The Panel shall publish an Annual Report on its work and expenditure.

The Panel can speak out publicly when it wishes to draw attention to matters in the public interest and when it disagrees with the FSA.

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