

What should success look like for the FCA?

Speech by Kay Blair,

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at the FCA approach to regulation conference.**

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It's still early in the morning so please give free rein to your imagination and think about what a good regulatory regime will look like for consumers and how it will deliver better, fairer consumer outcomes.

A proactive regulator

Firstly, in this brave new world, the FCA will be a proactive regulator.

The Consumer Panel has often been critical of the FSA for responding after the event when consumers have already suffered. We want a proactive FCA to address the root causes of misconduct rather than the symptoms of consumer detriment. We want to get rid of the 'waterbed' effect, where when the regulator tackles one source of sector-wide misselling, another new problem all too conveniently replaces it. This suggests that the causes are systemic, built in to business models, not just random events

This proactive regulator will take its consumer protection agenda extremely seriously and put consumer interests at the heart of its regulatory philosophy.

It will understand and address consumer concerns. By looking at and addressing suspect business models and potentially toxic products, it will nip problems such as any future PPI in the bud well before consumer detriment escalates and certainly before consumers have lost millions of pounds..

There are stark lessons for the new regulator about what can happen if problems are not addressed swiftly and effectively; if investigations are not completed quickly enough or effective enforcement is too long and too little in coming.

A confident and transparent regulator

Secondly the new FCA must have the appetite and ability to use its new powers. It will not deliver better outcomes for consumers unless it is assertive in the use of its powers, and can be open about what it is doing. It has to be a confident and transparent regulator.

The Panel has argued for some time that the FSA could have done more to prevent consumer detriment if only it had used more of the tools at its disposal. But, that requires confidence, particularly when faced with a sophisticated, dominant and extremely powerful industry.

In terms of transparency, we want the new regulator to follow the example set in other areas of the law and give much earlier notice of enforcement proceedings – for example, when warning issues are issued.

The debate on competition also highlights the need for a 'can do' regulator with the appetite to act. It needs to be confident about and assertive with its powers to ensure effective competition which can deliver better value; products consumers want; and services geared to genuine customer need.

Thirdly, let's look forward to an ambitious regulator able to demonstrate real leadership, with a different culture, effective resources and good people.

It is crucial for the success of the new FCA that it moves quickly and decisively to signal a fresh approach to regulation. Over the last few years the FSA has undergone a sea-change in behaviour. However, if we are to see the new more effective regulation the Panel has advocated for several years - a quantum leap is now needed.

The Panel wants to see the new CEO, Martin Wheatley, drive an ambitious programme of change in the FCA building on Hector Sants' and Margaret Cole's successes in recent years. The FCA needs to encourage and, where necessary, recruit staff who are passionate about - and dedicated to the delivery of - enhanced consumer protection. It needs to ensure these people have sufficient voice and resource. And of course, this commitment to the consumer needs to start with the FCA board. The FCA also needs to be able to fight its corner - the potential use of the PRA veto over the FCA remains a concern to the Panel - it must only be used as a last resort (a veto might allow firms to game the system on exaggerated grounds of instability risks, so weakening the FCA's consumer protection functions).

Fourthly, we need a regulator clear about its regulatory purpose, clear about the boundaries of its activities and clear about its expectations of firms.

Firms need to get the message loud and clear as to what represents good and bad behaviour. Questionable incentives and remuneration packages have to be tackled.

This is vital to ensure efficient regulation. It is also critical to curb the kind of practices which generate and reward dubious sales practices and which encourage firms to take on regulatory risk because in the overall scheme of things any potential fines are likely to be paltry when weighed up against likely handsome profits.

And of course an enhanced role for the Consumer Panel would be of benefit - we will continue with our quest to require the new legislation to give us more of a remit to highlight consumer interests and issues with the PRA/FPC.

The FSA - and consumers - suffered from confusion over regulatory overlaps and underlaps - legislation has to ensure such risks do not reoccur and that there is effective 'joined up' legislation. We need to understand what the FCA won't be doing as well as what it will.

And last but not least a regulator committed to delivering good consumer outcomes.

Over the last few years the Consumer Panel has worked hard with the FSA and with industry to articulate what consumers require as good outcomes from financial services regulation.

Put succinctly, these are:

- effective competition and good innovation working to deliver fair treatment of consumers and value for money
- widespread availability of products and services that meet key needs
- products that 'do what they say on the tin' and are presented in a way which is simple and honest, where costs are transparent and where products can be easily compared
- access to advice and appropriate information at a variety of levels
- effective and speedy redress if things go wrong
- swift and fair treatment of complaints

Assuming the FCA focuses as the Consumer Panel wishes, we would hope to see long-absent and much needed trust and confidence in this sector rise.

I look forward to the brave new world of the FCA.