

FCA GDPR breaches: Email intercept and divert



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*To transparency
and beyond!*

About the Transparency Task Force

- Transparency Task Force is a Certified Social Enterprise with a formal mission to
“Promote ongoing reform of the financial sector, so it serves society better”
- The over-arching theme of our work in 2023 is “Fixing the FCA”
- We believe the FCA has serious issues that go beyond “innocent incompetence”
- Our work is funded through donations; our donations page is here:

<https://transparencytaskforce.org/donations/>



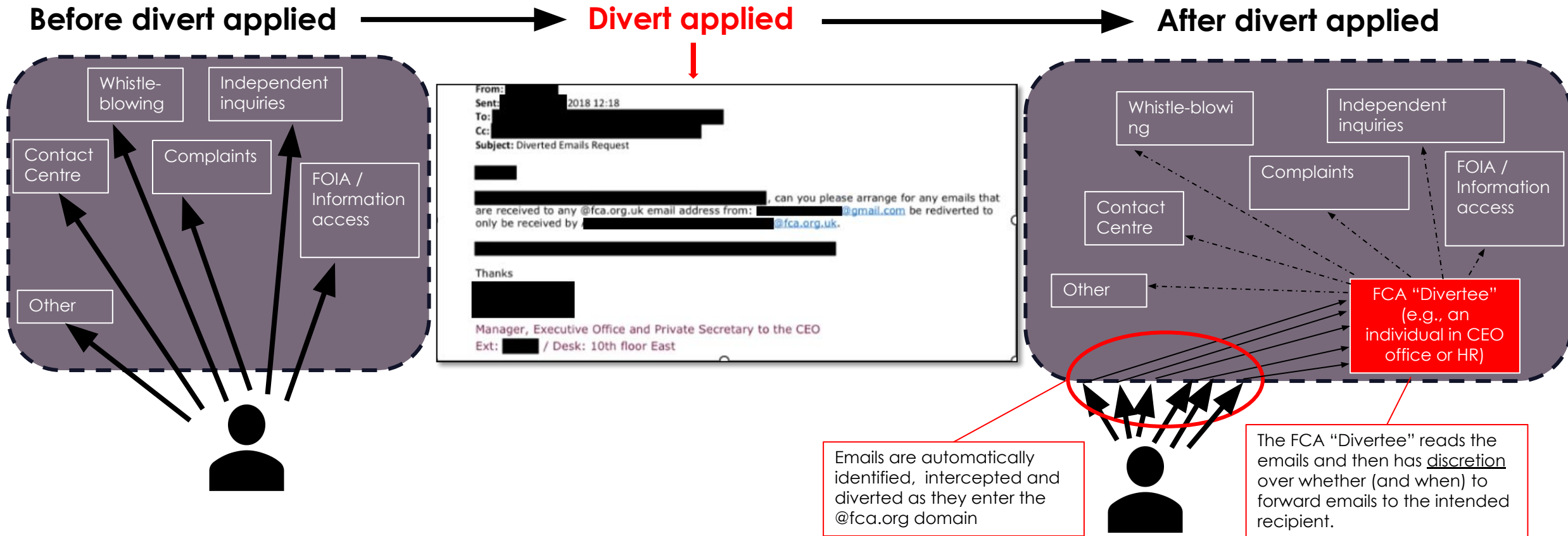
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Background - What is FCA Email Intercept and Divert?

- A process created by the FCA CEO Office on its own initiative in 2016. It was entirely unrelated to FCA processes for handling abusive or vexatious correspondence*. Instead, it was generally used to keep track members of vocal members of the public, or those who were highlighting concerns about the actions or inactions of the FCA.
- The FCA CEO office would instruct the FCA IT department to place a tag on particular members of the public's email addresses, so that any correspondence they sent addressed to the '@FCA.org.uk' domain address was automatically intercepted before it reached its intended recipient and was diverted to a designated individual (the "divertee") within the FCA. After reading the email, the "divertee" then had the discretion of whether to forward the correspondence to the intended recipient.
- The FCA CEO office did not need to provide the FCA IT department with any reason for the putting in place the diversion, and the member of public was never told the diversion was in place.
- The FCA CEO office did not consult on this process, did not announce the process (internally or externally) and did not carry out any due diligence around the risks and unintended consequences of the process.
- The FCA DPO has confirmed, *"We consider the diversion of communications to fall within the definition of "processing" under Article 4(2) GDPR. As with other circumstances in which the FCA applies diverts, we consider the FCA had a lawful basis for this processing under Art 6(1)(f) GDPR (legitimate interests)."*
- However, while the FCA may well have a lawful basis under GDPR for email diversions, it is obliged to ensure that any such diversion process adheres to the GDPR Principles, including Fairness and Confidentiality and Integrity. From 2017 onwards, the FCA was repeatedly warned that it didn't.

* The FCA's unacceptable behaviour policy is documented on the FCA website: <https://www.fca.org.uk/contact-us/unacceptable-behaviour-policy>

Illustration of how email intercept and divert worked



Obligation to ensure privacy by design and default

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Notwithstanding that the FCA consider it had a legal basis* under GDPR for email diversions, it was obliged to identify and mitigate the privacy risks under the GDPR Principles – Privacy by Design and Default. The risks were obvious, and included:

- **Compromised integrity of processes** –breached the independence and confidentiality of FCA whistle-blower and independent inquiry processes
- **Conflicts of interest** – FCA Senior Managers could, and did, intercept and divert correspondence that raised concerns about matters they were personally connected to
- **Prevented or delayed information from being acted on** – intelligence was diverted away from the intended FCA recipients, who may have been better placed (or more willing) to act. The process also prevented or delayed information reaching its intended destination.
- **Absence of any governance or controls** – no reason needed to be given, no records were kept
- **Absence of transparency** - Members of public were not told that the diversions had been put in place and were unaware that confidential/personal information was being read by other FCA staff

* We note that the FCA's stock response that it had, and continues to have, a lawful basis for email diversions. However, the principle of Lawfulness, Fairness and Transparency is indivisible – in the ICO's words, "the three elements of lawfulness, fairness and transparency overlap, but you must make sure you satisfy all three. It's not enough to show your processing is lawful if it is fundamentally unfair to or hidden from the individuals concerned."

The GDPR Principles in more detail

The UK GDPR sets out seven key principles:

1. Lawfulness, fairness and transparency
2. Purpose limitation
3. Data minimisation
4. Accuracy
5. Storage limitation
6. Integrity and confidentiality
7. Accountability

Fairness

Processing of personal data must always be fair as well as lawful. If any aspect of your processing is unfair you will be in breach of this principle – even if you can show that you have a lawful basis for the processing. In general, fairness means that you should only handle personal data in ways that people would reasonably expect and not use it in ways that have unjustified adverse effects on them.

Transparency

Transparency is fundamentally linked to fairness. Transparent processing is about being clear, open and honest with people from the start about who you are, and how and why you use their personal data. Transparency is always important, but especially in situations where individuals have a choice about whether they wish to enter into a relationship with you. If individuals know at the outset what you will use their information for, they will be able to make an informed decision about whether to enter into a relationship, or perhaps to try to renegotiate the terms of that relationship.

Integrity and confidentiality

You must ensure that you have appropriate security measures in place to protect the personal data you hold. This is the ‘integrity and confidentiality’ principle of the GDPR – also known as the security principle.

Accountability

The accountability principle requires you to take responsibility for what you do with personal data and how you comply with the other principles. You must have appropriate measures and records in place to be able to demonstrate your compliance.

The FCA’s email diversion process:

- Resulted in data being handled in a way people wouldn’t reasonably expect
- Did not inform individuals their data would be processed in this way
- Did not restrict access to only those who needed to access it
- Had no documented policies
- Had no documented GDPR compliance assessment

FCA confirms no governance, policies and controls were put in place

2021 FOIA query	FCA FOIA response – February 2021
On how many occasions since 1 January 2016 has the FCA applied 'intercept and divert'?	Information is not readily available, retrievable or extractable within 18 hours
As at 9 October 2020, how many members of the public currently have 'intercept and divert' applied to their email addresses by the FCA?	As at 9 October 2020 there were 9 diverts in place, (however, for the reasons explained in our response to part 1 of your request it is unclear who requested these diverts be applied).
Does the FCA monitor the population of email addresses to which it has applied 'intercept and divert' (i.e. to ensure that the application remains appropriate)?	The FCA does not monitor the population of email addresses to which a divert has been applied.
Are there any documented internal or external FCA policies, process or guidance that set out the circumstances in which 'intercept and divert' may be applied and/or the steps that should be followed in applying 'intercept and divert'?	We do not hold the information you are seeking regarding documented policies and procedures.
Is there any documented internal or external FCA policy, process or guidance that sets out how and when 'intercept and divert' should be disapplied?	We do not hold the information you are seeking regarding documented policies and procedures.

The risk crystallises – emails are mishandled

As per the FOIA request reply, the FCA is unable (or unwilling) to say how many emails have been mishandled. However, we estimated the number of emails mishandled by the FCA over the last 5 years to be in the hundreds, including the examples below. We are aware that a number of members of the public have been affected:

1. Confidential correspondence/personal information bound for an FCA Independent Inquiry is diverted – FCA does not proactively inform individual of breach. Only after the individual discovers the breach, the FCA apologises and claims this is an 'unintended consequence' of email diversion.
2. Confidential correspondence/personal information whistleblowing correspondence is diverted (to the person the whistleblowing allegations are about) – FCA does not proactively inform individual of breach. Only after the individual discovers the breach, the FCA apologises and claims this is an 'unintended consequence' of email diversion. The FCA also acknowledges that it had been made aware of the issue a year earlier but failed to act.
3. Confidential correspondence/personal information bound for FCA information access team is diverted - FCA does not proactively inform individual of breach. Only after the individual discovers the breach, the FCA apologises and claims this is an 'unintended consequence' of email diversion.
4. Correspondence, including personal information, bound for the FCA consumer queries team is diverted and not forwarded on in a timely way - FCA does not proactively inform individual of breach. Only after the individual discovers the breach, the FCA apologises and claims this is an 'unintended consequence' of email diversion.
5. Confidential correspondence/personal information with the FCA complaints team is diverted - FCA does not proactively inform individual of breach. Only after the individual discovers the breach, the FCA apologises.

Breaches of GDPR, including Fairness and Confidentiality and Integrity Principles

- The FCA's **email intercept and divert process completed disregarded GDPR, including the Fairness and Confidentiality and Integrity Principles**,. In particular:
 - The FCA has confirmed that it has no records of carrying out any security risk assessment at any time in relation to its email diversion process.
 - The FCA has acknowledged that the diversion process was introduced without putting in place any commensurate governance, policies and controls.
 - The FCA failed to inform individuals of the divert.
 - The FCA has confirmed that the diversion process resulted in “unintended” mishandling of confidential and personal information, including whistleblowing.
 - On becoming aware of the ‘unintended consequences’, the FCA on each occasion failed to notify the individual of the breach.
 - The FCA was repeatedly warned about the risks of email diversion from 2017 onwards but failed to act.
 - The FCA has failed to record any GDPR breaches related to email diversion, and not has it reported any such GDPR breaches, either to its governing body or externally.

FCA belatedly acknowledges there's a problem

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In October 2021 the FCA stated: *"The FCA has undertaken a review of its approach to implementing email diverts and has taken action as a consequence of that review. Based on the changes we have made we are confident that '**unintended consequences**' will not now result from email diverts. As of October 2021, the following policy statements were introduced into our Domain & Email Security Standard:*

- o *Where there is a requirement for the redirection of incoming e-mail from specified external email domains/ addresses:*
 - *A request must be made via an auditable process with a clear business justification and all such requests must be reviewed and approved by the requestor's Head of Department (HoD) prior to being approved by the FCA's Data Privacy Officer (DPO)*
 - *An exceptions list must be created to ensure that emails sent to any FCA mailbox which has been created to allow for the confidential disclosure of information e.g. the FCA whistleblowing mailbox, are not re-directed."*

Communication Channel	FCA conclusion on the appropriateness of applying email intercept and divert	FCA action <u>belatedly</u> taken
Whistleblowing	Inappropriate	Email intercept and divert prohibited
Complaints	Inappropriate	Email intercept and divert prohibited
FOIA and DSAR requests	Inappropriate	Email intercept and divert prohibited
Independent Inquiries	Inappropriate	Email intercept and divert prohibited
Consumer Queries	Only if there is a clear business case for doing so	Email diversion prohibited unless there is a signed off business case

FCA tells the Complaints Commissioner that email diversions complied with GDPR

The Complaints Commissioner stated a May 2021 report:

29. As a result of my further enquiries of the FCA, it has now confirmed that the FCA's IDT response that the divert is appropriate is based on considerations related to GDPR and the Data Protection Act only, and what it really means is that the divert does not breach GDPR rules, rather than that the divert is appropriate in *all* (my emphasis) circumstances.

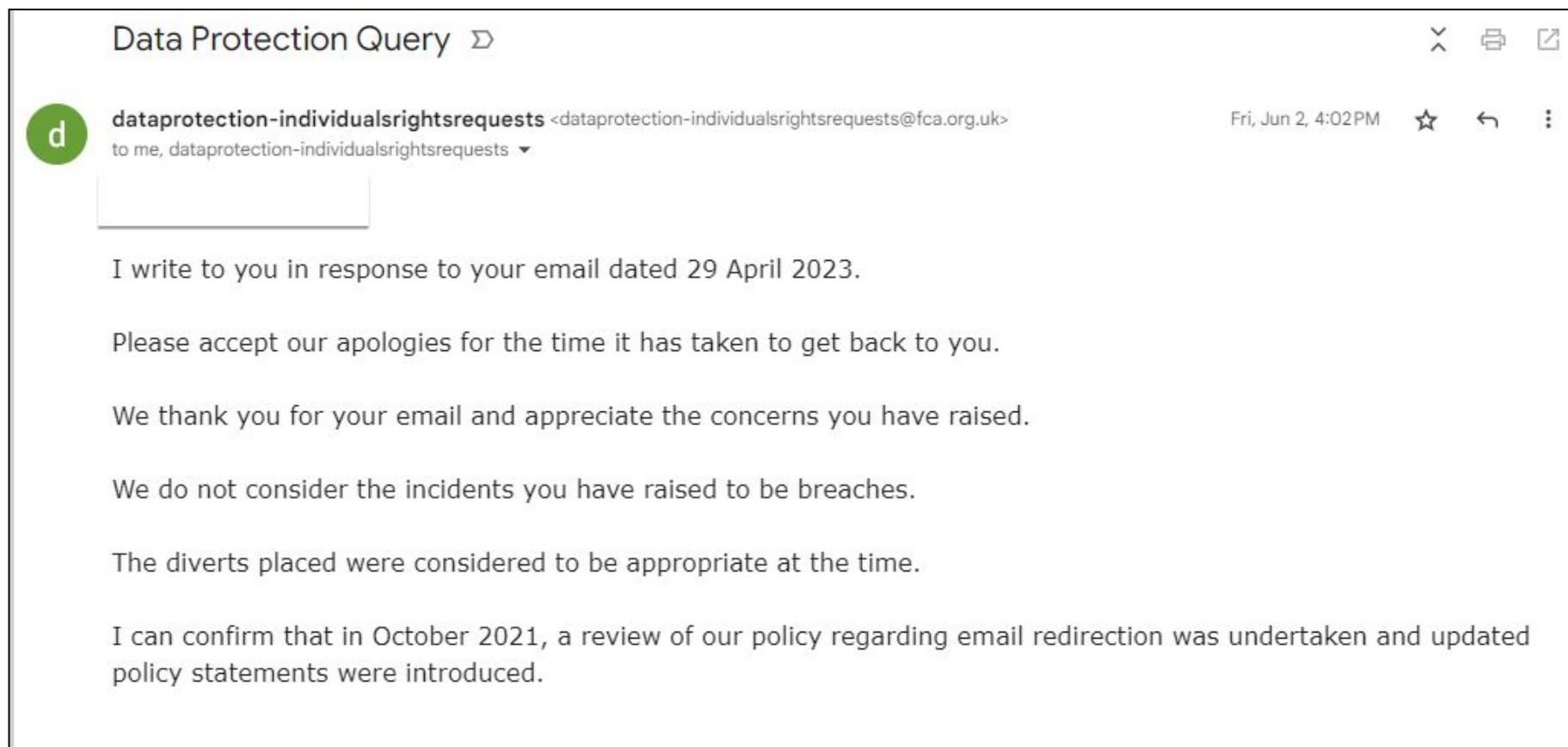
30. These are matters which could and should have been clarified by the FCA much earlier in the process as they are relevant to the case.



The FCA Data Protection Officer also denies any GDPR breaches...

On 29 April 2023, information from these slides was sent to the FCA's Data Protection Officer, who was asked to comment on the alleged GDPR breaches.

The FCA response of 2 June 2023 is set out right. The FCA did not engage with any of the evidence presented to it, and simply stated (without offering any explanation) that it did not consider the matters raised to be breaches.



...however, the FCA confirms it has never assessed whether email diversions complied with GDPR

2023 FOIA query	FCA FOIA response – June 2023
<p>1) FCA consideration of compliance with GDPR Confidentiality and Integrity Principle</p> <p>a) At any time before or after the FCA started using email diversions (central diverts applied to specific external email addresses as they enter the @fca.org.uk domain), has the FCA carried out any assessments to ensure the process complies with the GDPR Confidentiality and Integrity Principle?</p> <p>b) If yes,</p> <ul style="list-style-type: none">i. When were the assessments carried out?ii. Did the assessments confirm that the process complied with the GDPR Confidentiality and Integrity Principle?iii. Please provide a copy of the assessments.	<p>We have a series of policies, frameworks and processes in place to ensure compliance with the GDPR Confidentiality and Integrity Principle. Any amendments to existing processes would have taken into account any GDPR requirements, and our relevant policies or frameworks.</p> <p><u>We do not, however, hold any records relating specifically to email divert assessments.</u></p>

Breaches continue despite 'improvements' - Complaints Commissioner strongly criticises the FCA

My decision

Element One

12. I have consulted with the FCA to find out what went wrong with the emails which are the subject of this complaint, and what steps have been taken to ensure this does not happen again. The FCA has confirmed (again) that certain procedures and measures are in place to mitigate against the possibility of 'inequality in outcomes' as you put it between diverted and non-diverted emails. Diverted emails are meant to be processed in quite a different manner to the way in which yours were. The FCA attributes this to the fact that the divert on your emails was put in place before the new procedures were instigated. I do not think this explanation is good enough. The FCA ought to have reviewed all its current diverts in emails upon implementing the new procedures. It clearly did not do so, despite giving me assurances during the investigation of case FCA001421 that its revised procedures were sufficiently robust to ensure there would be no impact on correspondence relating to the exercise of its relevant functions. I uphold this element of complaint and I express strong criticism of the FCA for this maladministration which should not have occurred.

**From Complaints Commissioner report,
publication date 5 October 2023**



ICO asks the FCA to 'look again'

The information and evidence in these slides was shared with the ICO on 15 June 2023. In particular, the concern raised with the ICO was that the FCA had provided no explanation whatsoever of how it had reached the conclusion that had been no GDPR breaches, and its conclusion appeared to be at odds with the facts, namely:

- The FCA has confirmed that no GDPR compliance/risk assessment has ever been carried out;
- The FCA has confirmed that email diversions compromised the confidentiality of whistleblowing and other channels; and
- The FCA has acknowledged, and apologised for, mishandling emails

The ICO agreed.

On 23 August 2023, the ICO wrote to the FCA and instructed it to look again at the concerns raised, noting that, if the FCA considers it complied with the law, the FCA should provide a provide a clear explanation of why it believes this to be the case.

The FCA is finally forced to admit email diversions breached GDPR

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Following the ICO's intervention, the FCA Data Protection Officer responded on 21 September 2023.

Having denied that there were any breaches of GDPR on 2 June 2023, the FCA Data Protection Officer completely reversed his position. The FCA not only accepted its email diversions breached GDPR, the FCA also confirmed that its previous assertions that email diversions complied with GDPR were incorrect.

46. That these steps were not followed means that the FCA's application of email redirections to you were likely not compliant with the GDPR. It therefore follows from this that the FCA was incorrect in its statement that it had complied with the GDPR in relation to the redirection applied to your email.

On the 22 September 2023 the ICO agreed:

Our view of your complaint

We have considered the issues you have raised with us. Based on this information, it is our view that The Financial Conduct Authority **has** infringed their data protection obligations. This is because The Financial

Did the FCA provide honest responses?

FCA Statements

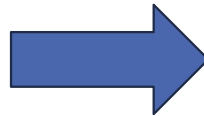
The divert does not breach GDPR rules
FCA complaints team May 2021

We do not consider the incidents you have raised to be breaches

FCA data protection team June 2023

We hold centralised records of all data breaches since the introduction of the GDPR. Having completed searches across all these records, no results [breaches of GDPR in relating to email diversions] were returned.

FCA Information Access Team June 2023



FCA subsequent statements

We do not hold any records relating specifically to [carrying out] email divert [GDPR compliance] assessments.

FCA FOIA Response June 2023

The FCA was incorrect in its statement that it complied with GDPR

FCA DPO September 2023

The assertion that the FCA held no records [of GDPR breaches related to email diversions] responsive to your request was incorrect, as the FCA does hold such information

FCA DPO September 2023

Who was aware of GDPR concerns?

Date: Saturday, 7 November 2020
 Subject: FCA intercept and divert
 To: Charles Randell <charles.randell@fca.org.uk>
 Cc: "RAndCO.IRHP.LL" <RAndCO.IRHP.LL@fca.org.uk>, Freedom of Information <foi@fca.org.uk>, dataprotection-individualsrightsrequests <dataprotection-individualsrightsrequests@fca.org.uk>

Dear Mr Randell,

I am also putting on record our view that the way intercept and divert has been applied (including the way the FCA has dealt with my request to explain why it's in place and remove it) is in breach of GDPR. [REDACTED]

From: Robin Jones <Robin.Jones@fca.org.uk>
 Sent: 30 November 2022 17:57
 To: Laura Tough <Laura.Tough@fca.org.uk>
 Cc: [REDACTED]
 Subject: Email divert - request for decision

FCA Sensitive

Dear Laura,

As you may be aware the divert was put in place before the FCA had a robust process in place to manage these [REDACTED]. However, this did mean that at times emails that should not have been seen by others [REDACTED]

FCA Sensitive



To: Emily Shepperd - Chief Operating Officer Date: 17 June 2022
From: Internal Audit division
Cc: Liam Coleman – Chair of the FCA Audit Committee and Whistleblowing Champion
 Nikhil Rathie – Chief Executive Officer
 Ali Shepherd – Chief Information Security Officer.
Subject: Draft Internal Audit memo - Investigation into reportable concerns about the FCA's use of email diverts

1. Background

1.1 [REDACTED]



...what the FCA has said publicly about whistleblowing and GDPR compliance

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The screenshot shows the FCA (Financial Conduct Authority) website. The header includes the FCA logo and a search bar. Below the header are navigation links: 'About us', 'Firms', 'Markets', and 'Consumers'. The main content area displays a news article titled 'FCA warns firms to be responsible when handling client data'. The breadcrumb trail reads: 'Home > News > FCA warns firms to be responsible when handling client data'.

Sam Woods, Deputy Governor for Prudential Regulation and Chief Executive Officer of the PRA, said:

"Protection for whistleblowers is an essential part of keeping the financial system safe and sound. Mr Staley's behaviour fell below the standard we require, resulting in today's fine and public censure. In addition, Barclays is now subject to special requirements to report to the PRA and FCA how it handles its whistleblowing cases in the coming years."

Mark Steward, FCA Executive Director of Enforcement and Market Oversight, said:

"Given the crucial role of the Chief Executive, the standard of due skill, care and diligence is more demanding than for other employees.

"Mr Staley breached the standard of care required and expected of a Chief Executive in a way that risked undermining confidence in Barclays' whistleblowing procedures. Chief Executives must act with a high degree of care and prudence at all times. Whistleblowers play a vital role in exposing poor practice and misconduct in the financial services sector. It is critical that individuals are able to speak up anonymously and without fear of retaliation if they want to raise concerns."

Andrew Bailey: There should be both because, frankly, if a bank cannot run a whistleblowing process—and, by the way, this is why we ran the second case, which was on Barclays itself, and why it is under a reporting requirement—because its governance and its controls cannot support it, that is a very bad indictment of any firm. You are right—and we put a lot of importance on this—that there has to be a second route for a whistleblower, which is to us, and that has to be robust as well.

However, as far as we are aware the FCA:

- Has not carried out any Senior Manager accountability reviews and is not planning to
- Has no plans to proactively inform impacted members of the public



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Implications

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Having flatly denied email diversions breached GDPR, the FCA's 21 September 2023 admission has the following implications:

1. The then FCA CEO, Andrew Bailey, signed-off on email diversions without having considered the GDPR 'Privacy by Design' implications. The email diversion process clearly compromised the integrity of the FCA's confidential channels. This fell below the conduct standards expected of the CEO.
2. When concerns about email diversions were highlighted, the FCA responded by stating that the process complied with GDPR. The FCA has subsequently admitted that no GDPR assessments were ever undertaken, such that its statements were not true. This fell below the conduct standards expected of the Data Protection Officer and other FCA Senior Managers.
3. The FCA has systemically breached GDPR – failing to carry out risk assessments, failing to ensure privacy by design and default, failing to prevent confidentiality breaches, failing to record or report breaches, failing to proactively contact individuals impacted and failing to remediate issues in a timely way. This fell below the conduct standards expected of the DPO and other FCA Senior Managers.

Why does this matter so much?

- At a time when concerns abound about whether banks and other financial providers are respecting customers' data privacy, particularly given the recent GDPR breeches connected to the debanking scandal, it's essential the FCA as the sector's conduct regulator sets an example by fully complying with law
- It is therefore astonishing to now learn that the regulator has been operating this illegal 'intercept and divert' policy since Andrew Bailey's tenure; and that the evidence strongly suggests they have been trying to cover it up
- The FCA is fast losing its moral authority to preside over the sector; and that's hurting trust and confidence in a phenomenally important part of our economy
- The question is whether the existing and former FCA execs responsible for this scandal will suffer the same fate as Nat West's recent departees; should they lose their jobs?

About the FCA's MOU with the ICO

- There is an important Memorandum of Understanding (MOU) in place between the FCA and the ICO, see [here](#), and it should be noted that:
 - An MOU is a cooperation agreement between 2 agencies
 - In simple terms, it is akin to one agency 'deputising' the other agency to carry out some of its functions and avoid duplication
 - The FCA's MOU with the ICO means it effectively an agent of the ICO when it comes to ensuring the financial services industry complies with GDPR
- **As such, the standards expected of the FCA when it comes to GDPR compliance are significantly higher than any other firm - their understanding of the rules should be subject matter expert level**

Are the Senior FCA Managers responsible?

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- The FCA claims that it adheres (as far as possible) to the Senior Managers accountability regime, [see here](#)
- This shows that Senior FCA Managers including those below are and have been **individually accountable** for specific matters
- All of these individuals (and some of their predecessors) are clearly culpable for the failings:

Chief Operating Officer; yes, responsible

- Responsibility for the FCA's compliance with its obligations to make information available under the Freedom of Information Act 2000
- Data Protection Officer Responsibility

Chief Data, Information and Intelligence Officer; yes, responsible

- Responsibility for the FCA's Data and Information Strategy

CEO; yes, responsible

- Responsibility for overseeing the adoption of the FCA's culture in the day-to-day management of the FCA

Chair of Audit Committee; yes, responsible

- Responsibility for the independence, autonomy and effectiveness of the FCA's policies and procedures on internal whistleblowing, including the procedures for protection of staff who raise concerns from detrimental treatment
- Responsibility for: (a) safeguarding the independence of; and (b) oversight of the performance of; the risk function

Director of Risk and Compliance Oversight; yes, responsible

- Responsibility for managing the process of investigating complaints about the FCA under the Complaints Scheme

What standards are expected of FCA staff?

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- The FCA Staff handbook clearly articulates the standards expected of FCA Staff, [see here](#)
- It highlights the following examples of misconduct and gross misconduct:
 - breach of the Information and systems acceptable use Policy
 - failure to observe FCA procedures
 - failing to deal promptly, efficiently and politely with third parties with whom you have dealings on behalf of the FCA
 - making false statements about one's own or another employee's work, the falsification of working papers, or the making of any statements likely to be detrimental to the reputation of the FCA
 - subjecting a colleague to a detriment or otherwise victimising a colleague who has raised concerns, made a complaint or given evidence or information under the Whistleblowing Policy or under any other FCA policy or procedure
 - bringing the FCA into disrepute

Has the statutory right to complain been breached?

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- The public have a statutory right to make complaints about the FCA and the organisations they regulate
- The FCA's illegal 'intercept and divert' policy means that complaints sent to the FCA by email may have not reached their intended destination and even those that did after having been intercepted and diverted might have been influenced by the individual/s that the complaint initially went to, adversely prejudicing the outcome
- If this has happened, has the statutory right to complain been breached?
- And if it has
 - How many times has that happened; and to whom?
 - What can be done to put right any adverse consequences as a result?

What must happen now?

- Given the need for the FCA to be more responsive to alerts about scams and misconduct provided by the public and whistleblowers identified by damning external reviews, we are gravely concerned that the 'intercept and divert' policy has been insulating a complacent senior leadership team from these crucial sources of intelligence and diversity of opinion
- If the FCA is to rebuild much-needed credibility, it is vital that Chair Ashley Alder and CEO Nikhil Rathi writes to those currently and historically affected by this illegal policy, to apologise, compensate them and provide an unequivocal guarantee that the policy has been discontinued
- We cannot see how any lesser course of action could be compatible with their continuance in their current roles.

And is there another FCA scandal about to come over the horizon?

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- More widely, we are aware of concerns that the FCA is 'gaming' the Freedom of Information Act to attempt to prevent disclosure of information that might be used to hold it to account.
- As a general observation, we believe that the FCA should always err on the side of ethical conduct, transparency and accountability, if it is to win back stakeholder support after numerous ignominious episodes that are bringing the same question to the surface, time after time:

“Is the Financial Conduct Authority fit for purpose?”

- What do you think, and why? – please let us know

Please support our work; and tell us what you think

- To share your thoughts on whether the FCA is fit for purpose, and to receive our weekly newsletter, the Transparency Times, please make contact through our website:

<https://transparencytaskforce.org/contact-us/>

- Our work is funded through donations; our donations page is here:

<https://transparencytaskforce.org/donations/>

Thank you!



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