



TTF Press Release 24th June 2021

The Transparency Task Force broadly welcomes today's publication of the Treasury Committee's report into the Financial Conduct Authority's regulation of London Capital & Finance plc, which identified concerns with the organisation's culture, personal responsibility, regulatory perimeter, policies on mini-bonds and financial promotions, and advocated changes to the Online Safety Bill.

However, given the FCA's acceptance of the very long list of problems that it needs to fix, we believe that more radical, tangible steps should be taken to accelerate the pace of change. Specifically, we call for the following:

- **Megan Butler should discontinue being the Executive Director for Transformation.** The Committee's report shows the rationale for her appointment into that role does not stand up to scrutiny. It was an error for all to see and raises questions over the judgement of the FCA's CEO, Nikhil Rathi who made the decision. The evidence makes it perfectly clear that Megan Butler was responsible for many of the failings that occurred. Appointing her into such a strategically important leadership role at a time when many people including Parliamentarians do not believe the FCA is fit for purpose, shows a lack of sensitivity to the thousands of investors that lost money as a direct result. It also suggests some naivety about the optics of the situation – it just looks like an insider got the job to keep the underlying issues that are causing the FCA to underperform in the dark, when was it really needs is an impartial and objective perspective that is not influenced by personal involvement with and responsibility for the problems being addressed.
- **An appointment panel that includes consumer representatives should handle the recruitment of her replacement,** with its recommended candidate's engagement subject to a final decision by the Treasury Committee. It was a catastrophic error to not advertise the vacancy and seek external candidates first time around, leading to the inevitable 'closed shop' dynamic that will surely slow down, not speed up the much-needed transformation.
- **The Compensation (London Capital & Finance plc and Fraud Compensation Fund) Bill should be amended to specify that LCF victims be placed in the position they would have been had they not invested** in the products (currently they're being

required to forfeit at least 20 percent of their capital and typically five years' income, and many have also accrued sizable expenses and time costs) and to enable the resulting Act to be used to compensate other consumers who've lost money as a result of proven or accepted regulatory failure

- **The Treasury Committee should immediately hold a parallel inquiry into the collapse of The Connaught Income Fund Series 1**, a case in which a similarly damning [Independent Review](#) was published in December 2020 but whose victims have not yet been offered compensation (indeed the FCA has falsely claimed that investors have been placed [‘as closely as possible back in the position they would have been in if they had never invested in the Fund’](#);
- **The FCA's Complaints Scheme should be made compliant with the Financial Services Act 2012**, which did not envisage there being any restrictions on the amounts of money paid out or a prohibition on paying redress in situations in which regulatory failure was the or a cause of consumers' losses
- **The Treasury should legislate for the creation of a Supervisory Board**, populated with consumer-orientated advocates, to inject much-needed accountability into the governance of the FCA

Andy Agathangelou, Founder of Transparency Task Force, today said:

'It is crystal clear that the FCA's culture is profoundly defective, and that the problems start at the top. There needs to be a clear-out of those responsible for the failings in both the LCF and Connaught cases, a head of transformation appointed who will fundamentally transform the organisation, and meaningful changes made to the regulator's governance that place consumer interests front and centre. There must also be viable routes to full redress for all those whose finances are destroyed by regulatory failure – we are aware of dozens of cases, affecting hundreds of thousands of people.'