



## Response to the HM Treasury Consultation: July 2025 Financial Services Growth and Competitiveness Strategy Regulatory Environment – Cross-Cutting Reforms

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From Transparency Task Force, in an organisational capacity.

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Dear HM Treasury Consultation Team,

Thank you for the opportunity to respond to this important consultation on cross-cutting reforms to the regulatory environment under the Financial Services Growth and Competitiveness Strategy.

[Transparency Task Force](#) (TTF) is a certified social enterprise, whose mission is ‘to promote the ongoing reform of the financial sector so that it serves society better.’ We are dedicated to driving transparency in financial services to rebuild public trust in the sector. Founded in 2015, we advocate for the disclosure of conflicts of interest, fair treatment of customers, and robust consumer protections, drawing on the experiences of millions affected by scandals such as mis-selling of pensions, payment protection insurance (PPI), and interest rate hedging products. Our work is informed by direct engagement with consumers, whistleblowers, and industry stakeholders, and we have submitted evidence to numerous parliamentary and regulatory inquiries, including those on financial services regulation and consumer harm.

Over the summer, the government released important – and potentially damaging – proposals to change how regulators interpret their role and mandates. These proposals have three main parts: (1) Shortening approval timeframes for new firms and senior managers; (2) Requiring regulators to set long-term strategies for meeting their statutory objectives; and (3) Removing the obligation for regulators to “have regard” to regulatory principles and government priorities when making decisions, with these “have regards” instead only considered at the long-term strategy level.

We welcome the government's ambition to foster growth and competitiveness in the UK's financial services sector, which remains a cornerstone of the economy. However, we are deeply concerned that these proposed reforms risk undermining the very foundations of trust that enable sustainable growth. The UK's financial services sector has suffered from a chronic "trust deficit" for decades, exacerbated by repeated instances of misconduct, opacity, and inadequate accountability. This has led to widespread disengagement: millions of people avoid investing in pensions, insurance, banking products, or other financial services due to fears of being exploited or let down. As a result, household savings rates remain low, pension participation is suboptimal, and economic activity in the sector is stifled—not boosted—by this reluctance.

The proposals outlined in this consultation, while ostensibly aimed at streamlining regulation to support innovation and risk-taking, appear to prioritize short-term operational efficiencies for firms over long-term consumer safeguards. By shortening authorisation timelines, introducing provisional licensing, mandating long-term strategies that may dilute day-to-day accountability, and rationalizing "have regards" requirements, these reforms could inadvertently water down protections. This would likely exacerbate the trust deficit, discouraging consumer engagement and reducing demand for financial products—directly counteracting the government's growth objectives. We urge the government to reconsider these measures and instead focus on enhancements that balance competitiveness with ironclad consumer protections, such as mandatory conflict-of-interest disclosures and enhanced whistleblower safeguards.

Below, we respond to each consultation question in turn, providing detailed reasoning grounded in our expertise and extensive stakeholder insights.

**Q1: Do you agree with the government’s proposals to prioritise shortening the deadlines for new firm authorisations, variation of permissions, and senior manager authorisations?**

No, we strongly disagree with prioritizing the shortening of these deadlines. While we acknowledge that efficient authorisation processes are important for legitimate innovators, the emphasis here seems to favor speed at the expense of thoroughness, which could compromise consumer safety and market integrity. It’s difficult to judge from the outside how much risk this creates – both for consumers and the financial system – but it is concerning that, unless we are mistaken, the consultation paper does not even mention these risks.

The current statutory deadlines (e.g., 6 months for complete new firm authorisations) already allow regulators like the FCA and PRA to conduct meaningful due diligence, including assessments of fitness and propriety under the Senior Managers and Certification Regime (SM&CR). Shortening these to 4 months (or less via non-statutory targets) risks approving underqualified or risky entrants without adequate scrutiny. Our experience with past scandals—such as the collapse of Woodford Investment Management or the mis-selling by firms like Hargreaves Lansdown—demonstrates that rushed authorisations can lead to systemic harm. For instance, inadequate vetting of senior managers has repeatedly allowed individuals with poor track records to oversee operations that prioritize profits over consumers, eroding trust.

This prioritization could worsen the trust deficit by signaling to consumers that regulatory gatekeeping is being relaxed. Disengaged consumers are less likely to participate in financial markets: UK equity ownership among households is already among the lowest in the OECD at around 15%, partly due to mistrust. Fewer authorisations mean fewer bad actors slipping through? No—fewer checks mean more risks materializing, leading to more scandals, further disengagement, and reduced uptake of products like ISAs, pensions, and insurance. This acts as a brake on growth: the Pensions Regulator estimates that low engagement costs the economy £20-30 billion annually in lost contributions. Instead of shortening deadlines, we recommend investing in AI-assisted vetting tools to maintain rigor while improving efficiency, ensuring growth is built on trust, not haste.

**Q2: Do you agree with the proposed statutory deadlines for various applications set out in the tables above?**

No, we do not agree with the proposed deadlines. The reductions—from 6 months to 4 months for complete applications for new firm authorisations and variations of permission, and from 3 months to 2 months for SM&CR approved persons—represent a significant dilution of safeguards without evidence that current timelines are the primary barrier to competitiveness. Again, it is concerning that the consultation paper does not even seem to mention the risks this creates for consumers and the financial system.

Stakeholder feedback in the Call for Evidence may highlight perceived onerousness, but this often stems from firms' incomplete submissions rather than regulatory inefficiency. The proposals conflate "incomplete" and "complete" applications without addressing why incompleteness occurs—frequently due to firms underestimating compliance needs. Shortening timelines could pressure regulators into superficial reviews, increasing the likelihood of approving unfit senior managers or permissions that enable misconduct. Under SM&CR, for example, the 3-month window allows for background checks, reference gathering, and interviews; halving this to 2 months (with a 35-day median target) invites errors, as seen in cases where "approved persons" later oversaw consumer detriment.

From a consumer perspective, this erodes trust: if regulators are seen as rubber-stamping entries, public confidence plummets, leading to avoidance of financial products. Data from the FCA's own Financial Lives Survey shows that 20% of UK adults cite "lack of trust" as a reason for not saving or investing more. Reduced engagement translates to lower demand for banking, insurance, and investment products, stifling sector growth. The government's growth agenda requires active consumer participation—yet these changes risk the opposite. We suggest retaining current deadlines but introducing tiered processes: faster tracks for low-risk, transparent applicants (e.g., those voluntarily disclosing conflicts), with penalties for repeat incompleteness to incentivize better preparation.

### **Q3: Do you agree with the government's proposal to require the regulators to produce long-term strategies?**

We partially agree with requiring the FCA and PRA to produce long-term strategies, as greater strategic clarity could enhance predictability for stakeholders. On its own, this seems uncontroversial. However, we are concerned that this proposal, as framed, may serve to contribute towards the entrenchment of a growth-at-all-costs mindset, sidelining consumer protection in favor of competitiveness.

The example of the FCA's recent 5-year strategy is positive in its high-level focus, but mandating strategies "to advance their objectives, including their secondary objective to facilitate growth and international competitiveness" risks subordinating primary duties (e.g., consumer protection under FSMA 2000) to secondary ones. Without explicit mandates to prioritize trust-building—such as strategies for systemic transparency reforms—these

documents could justify deregulatory biases. Respondents to the Call for Evidence noted low risk appetite due to "one-size-fits-all" regulation, but the solution isn't diluting oversight; it's tailoring protections proportionally while upholding baselines.

Linking strategies to remit letters is sensible, but 5-year reviews may be too infrequent amid rapid fintech evolution, for example. More critically, long-term strategies could foster complacency in day-to-day supervision, allowing risks to build unchecked. This would deepen the trust deficit: consumers disengage when they perceive regulators as growth-focused enablers of industry excess, 'cheerleaders for the City' as it were, rather than vigilant guardians of the consumer and thereby the public interest. Result? Lower product uptake—e.g., only 60% of eligible workers auto-enroll in pensions, per TPR data, due to mistrust and economic drag. To improve the proposal, require strategies to include measurable trust metrics (e.g., via annual consumer surveys) and mandatory consultations with relevant consumer groups including TTF.

**Q4: Do you agree with the government's proposal to streamline the requirement to have regard to the regulatory principles and remit letter by linking this to the regulators' long-term strategy?**

No, we strongly disagree. Streamlining "have regards" by confining them to long-term strategies removes essential real-time accountability, potentially allowing regulators to sideline principles like proportionality, consumer protection, and innovation support during rule-making and supervision. It is this proposal that is most revolutionary – and, in our view, deeply misguided and potentially very dangerous for society and The City.

The eight FSMA regulatory principles (e.g., cost-benefit analysis, sustainable growth) and remit letters are vital checks against arbitrary decisions. Requiring consideration only in high-level strategies creates a "set-it-and-forget-it" culture, where day-to-day actions—like approving high-risk innovations—escape scrutiny. The proposal admits this reduces "agility" burdens but ignores the cost: weakened protections lead to harm, as in the London Capital & Finance scandal, and many others, where regulatory oversights amplified consumer losses.

While financial regulators are rightly focused on their statutory duties – such as consumer protection, system stability, competition, and integrity – their decisions have far-reaching consequences for other public priorities. These include impacts on the environment, financial inclusion, and poverty, among other things. These critically important impacts of regulation are not just affected by the overall strategic approach, but also by a host of sub-sector approaches and consultations, where trade-offs are inevitable. Setting up a dichotomy between 'day-to-day decisions' and long-term strategy ignores that most

regulatory impact comes through these sub-sector approaches and the consequent very large number of consultations that result.

For example, the lack of a mechanism for supporting the growth of responsible financial institutions, such as a Fair Banking Act, has left a large portion of the population at the mercy of high-cost credit and illegal lenders.

This change would signal to the public that consumer interests are secondary to growth, widening the trust chasm. Mistrust already costs the sector dearly—FCA estimates £1.5 billion in annual compliance from misconduct fallout, but the real economic hit is from disengagement: UK financial inclusion lags peers, with 10 million adults underserved due to wariness. Fewer consumers buying products means slower growth, contradicting the Strategy. We strongly believe that the regulatory function must retain per-function "have regards" but digitize them for efficiency (e.g., integrated dashboards), and add a new principle mandating transparency in decision-making to rebuild trust.

**Q5: What published documents from the PRA or FCA do you find most helpful? What information do you consider most important?**

From the FCA, the most helpful document is the Financial Lives Survey, which is invaluable for understanding consumer behaviors and trust levels. Indeed, according to the FCA's own data, trust and confidence in the sector remains worryingly low.

For example, [on page 8 of the FCA's report on its Financial Lives Survey, published on 16<sup>th</sup> May](#), it states:

***"This survey shows that 39% of adults had confidence in the UK financial services industry, and 36% thought most financial firms are honest and transparent in the way they treat them."***

Or putting it the other way around, over 60% of people don't trust the sector the FCA is responsible for the conduct of.

It should be self-evident that the FCA's ability to deliver on the secondary growth and competitiveness remit is impaired by the low levels of trust consumers have in authorised firms and the FCA itself.

Furthermore, it should be clear that people are more likely to trust the sector, and therefore buy from it, when the regulatory framework that is designed to protect them when things go wrong is seen to function well, which hasn't been the case in a very long list of scandals,

such as Woodford, LC&F, Blackmore Bond, Connaught, British Steel Pensions, Store First, Collateral, PPI, the car finance scandal, and so on.

Also, we find the FCA's policy statements on consumer duty and SM&CR implementation overly firm-centric, lacking granular data on consumer outcomes.

From the PRA, the Annual Report and supervisory priorities document are useful for prudential stability overviews, but they underemphasize retail impacts. The PRA's approach to "have regards" reporting feels perfunctory.

The most important kind of information that we want to see includes:

- Consumer harm metrics:
  - Breakdowns of complaints, redress paid, and misconduct trends by firm type/product, with forward-looking risk assessments.
- Transparency on conflicts:
  - Details of how regulators address undisclosed conflicts in authorized firms, including whistleblower reports received/acted upon.
- Trust indicators:
  - Annual surveys on public confidence, disengagement rates, and barriers to product uptake, benchmarked against international peers.
- Cumulative impact assessments:
  - Evaluations of how multiple rules interact to affect consumers, not just firms.
- Enforcement outcomes:
  - Timely, anonymized case studies showing accountability for senior managers.

Reducing reporting burdens is fine if it eliminates duplication, but not if it obscures vital consumer data. We recommend a consolidated "Consumer Outcomes Dashboard" for both regulators, prioritizing trust-building information to support growth through engagement.

In conclusion, while we support a competitive financial services sector, these reforms risk eroding consumer protections and trust, leading to disengagement that hampers economic growth.

We need a regulatory framework that focuses on the public interest – and recognises that this is broad, diverse and complex – not a simplistic vision that encourages regulators to simply ignore complex trade-offs in their day-to-day work. We call on the government to pause implementation, conduct an independent impact assessment on consumer trust, involving groups like the TTF, and pivot toward transparency-focused enhancements.

We hope that sharing our perspective has been helpful and we are happy to discuss these views further and provide additional evidence.

Yours sincerely,

Andy

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