

Andrew Bailey
Chief Executive
Financial Conduct Authority
25, the North Colonnade
E14 5HS



26th January 2017

Dear Andrew,

SMALLER BUSINESS PRACTITIONER PANEL RESPONSE TO THE MISSION CONSULTATION

The Smaller Business Practitioner Panel is pleased to respond to the FCA's consultation on its Mission. We have been involved with the development of the Mission document and also took part in the Mission Conference on 17th November 2016. We have a number of comments on both the format and the content of the Mission work.

Format

We understand that the purpose of the Mission is to clarify the FCA's thinking about the way it regulates and how it decides its priorities. Any mission statement needs to be easily understood and remembered by the staff who are expected to deliver it, as well as by external stakeholders. The consultation goes into some detail, and while it is easy to understand, we recommend that there should be a very short summary document, perhaps only one page, in a more concise format. There have been comments from the industry before about the poor translation of policy from the top into day-to-day supervision. A tightly-articulated summary of the FCA's Mission would help address this.

Objectives

As part of the summary document it would be useful to see a management information tree showing how the FCA's three operational objectives fit together. It is clear that the FCA seeks, through its operational objectives, to support and maintain healthy and successful financial markets. We have also noted the comments that within its competition remit the FCA is not 'charged with eliminating profit'. We would, however, like to see explicit recognition that the generation of reasonable profit is an essential element of functioning markets, particularly in attracting new entrants, and that facilitating this is an important part of the FCA's remit.

In the area of consumer credit, as a relatively new addition to its remit, the very fact of the FCA's involvement has resulted in a step change in the attitude of the industry to regulation. This is very welcome and has raised standards even within such a short period since the FCA took on responsibility for the sector.

Specific elements of the FCA's approach

We have observations on some specific elements of the FCA's approach:

Communication with smaller firms

We would like to see explicit acknowledgement that the FCA understands the approach to communicating with smaller (in many cases sole trader) firms needs to be quite different to that taken with larger firms. Too often FCA communications appear to be targeted at firms with full-time compliance staff, or messages are communicated via supervisors, when the vast majority of firms are relatively small and supervised on a flexible portfolio basis.

Environmental, social and governance (ESG) issues

The Mission document does not mention anything related to the disconnect between the investments held by consumers and their personal values. For instance, most consumers

would prefer not to invest in companies with a history of child labour in the supply chain. In most cases, however, the asset managers running their investments do not take such values into account in their interactions with investee companies. To make the market work in a way that reflects consumers' values, we recommend that the FCA should use its regulatory tools to encourage asset managers to survey their retail investors on the ESG issues that concern them and then transparently report on their engagement activity with investee companies.

Technology and innovation

It is good to see the role of technology and innovation being a theme throughout the Mission document. Any review of the Handbook should have as a guiding principle the idea of better supporting innovation and technology developments.

Vulnerable consumers

The chapter on vulnerable consumers (Chapter 8) is well thought out, hits the right notes in recognising that there are "naturally" vulnerable customers, perhaps because of low income, but that consumers can "become" vulnerable for many other reasons (life changing events, illness etc.), and at any given time. We also acknowledge that "vulnerability can be both caused and exacerbated by firms".

Q16 – Is our approach of giving more vulnerable consumer greater levels of protection the right one?

Yes, this is the right approach. The industry needs to be "policed" more and bad practice should not be tolerated where it is obvious that vulnerable customers are not being treated fairly either through lack of information and transparency or poorly designed products that do not meet consumers' needs.

An example of bad practice in the treatment of vulnerable consumers can be found in the area of insolvency practice. Credit unions consistently hear from members who have signed a Trust Deed (IVA - individual voluntary arrangement - in England) through an insolvency practitioner, and have not realised that they have not repaid their debts. Members tell credit unions regularly that it was not explained that the monthly contribution they make is almost entirely swallowed up in fees. When the contributions made to Trust Deeds would have almost paid off the outstanding debts, consumers still have outstanding debts for credit reference purposes. As a result, their credit rating means that they will pay the most for future credit, if they can access credit at all. A mortgage also becomes almost impossible after signing a Trust Deed.

Measuring success

We acknowledge that it is difficult to measure success for such an abstract concept as a mission, and support the three tier approach as outlined in the consultation. We do, however, recommend that the FCA should report on the overall success of delivering its Mission, even if this is a subjective overview.

Yours sincerely

Clinton Askew
Chair, Smaller Business Practitioner Panel