

Financial Services Consumer Panel



Annual Report 2023/2024



An independent voice for consumers
of financial services

Who we are

The Financial Services Consumer Panel (the Panel) is a statutory body set up under the Financial Services and Markets Act 2000 to represent the interests of financial services consumers (we do not represent individual consumers). 'Consumers' includes private individuals as well as small businesses. We are independent of the Financial Conduct Authority (FCA).

Our members are recruited through open competition. Members come from a diverse range of professional backgrounds, bringing expertise in consumer advocacy, law, economics, regulation, market research, financial services, public policy, communications, data and technology, risk management and retirement planning.

What we do

Our principal role is to provide advice and challenge to the FCA in relation to its statutory duties, in particular its consumer protection objective. Under our Terms of Reference we also consider wider issues of financial services policy and legislation when they are directly or indirectly related to the FCA's general duties.

We perform our role by responding to consultations, meeting with relevant teams from the FCA, and engaging with a wide range of other stakeholders to inform our views and advocate for consumers. These activities are set out in Chapters 5 and 6 of this report.

We also commission research to support our own independent projects. We aim to stimulate debate and influence policy in areas where there are risks to consumers that are not being addressed, or gaps in understanding of the consumer experience of financial services.

Chapter 4 of this report sets out our research activities in 2023/24.

How we do it

Except for the month of August, we meet twice a month – once in full Panel meetings and once in our two Working Groups. FCA staff attend and present at almost all Panel and Working Group meetings and we report our primary concerns monthly to the FCA Board.

We have also had other informal meetings with teams from across the FCA. This has allowed us to more easily inform the FCA's work at the earliest stage of project development.

Outside the FCA, we work with a wide range of stakeholders and consumer groups and our members sit on various other bodies (set out in Appendix 7). We are also a member of the FCA's Consumer Network which provides a gateway for certain consumer organisations and the FCA to share insights and discuss policy issues. This helps us surface insights from a wide range of sources which we then strengthen throughout the year by engaging with different consumer organisations on various topics.

How we measure our impact

We measure our impact by reference to our duty to represent the interests of consumers, and our responsibilities under our Terms of Reference. More detail on our activities over 2023/24 is included in Chapter 2 below.

Our commitment to diversity

We are committed to maintaining a diverse Panel as we know that this will enable us to be most effective in our role as a critical friend to the FCA. When we talk about diversity, we talk about it in the broadest sense: different perspectives, characteristics and lived experiences, as well as being broadly representative of the consumers and Small Medium Enterprises (SMEs) whose interests we represent. Our annual diversity statement based on the FCA's diversity targets for all the FCA's Independent Panels is included in Appendix 2 of this report

This annual report

This report covers the Panel's activity between 1 April 2023 and 31 March 2024. Where there have been important subsequent developments, we make reference to these in this report, and they will be addressed more fully in the next Annual Report.

Find out more about us on our website: www.fca.org.uk/panels/consumer-panel.

Financial Conduct Authority

Financial Services Consumer Panel – Annual Report 2023/2024

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Consumer Panel Members 2023-24



From L-R: Helen Charlton, Jonathan Hewitt, Francis McGee, Julia Mundy, Keith Richards*, James Plunkett **, Natasha de Teran, Johnny Timpson, Julie Hunter, Rebecca Driver, Larna Bernard, Katherine Wilson***, Angela Stathi***

* term ended 31 October 2023

** term ended on 1 May 2023

*** term began 1 February 2024

***Our vision:*****That markets work well for consumers,
and in an environment where consumer
harm does not occur in the first place**

Foreword by the Chair

This Report, the Panel's first Annual Report to be laid before Parliament under the Financial Services and Markets Act 2023 (FSMA 2023) covers a period where the economic environment continued to be extremely challenging for consumers. The period began with inflation in April 2023 at 8.7%, ending with the Consumer Price Index (CPI) at 3.2% in the 12 months to March 2024. This has had a significant impact on household finances; people with lower financial resilience, and many with vulnerabilities, have been impacted the most. Higher costs have led to consumers depleting their savings, paying more to borrow, cutting back on important insurance products, working longer before accessing their pensions, and reducing or stopping their pension contributions. The prevalence of scams has also continued to increase, at a time when consumers are more in need of extra funds and therefore more vulnerable and more likely to fall victim to fraudsters.

Against this worrying backdrop the Panel has had another very productive year representing the interests of consumers and small businesses in a rapidly evolving regulatory landscape. As our report shows, this has included working across a vast array of topics – from general insurance, lending, access to essential banking services, Open Banking, payments and e-money, debt advice, pensions, and consumer investments, as well as cross cutting themes such as financial inclusion, vulnerable consumers, regulation in the digital age, protection and redress and sustainability and climate change.

The Panel was pleased to see the Consumer Duty (the Duty), which sets higher and clearer expectations for the standard of care that firms give customers, come into effect as planned on 31 July 2023, and that it is firmly embedded in the FCA's approach. There were early signs of the FCA employing the Duty to good effect such as interventions on savings rates and access to cash. The Panel wants to see the FCA make quick and robust use of the Duty to ensure that consumers are offered the right help and support, and that products and services remain suitable and provide fair value, especially in the context of ongoing challenging economic circumstances. It is critical that the FCA's supervision and enforcement of the Duty is timely and effective, so that the Duty delivers – and is seen to deliver – the much needed raising of standards to ensure positive outcomes for consumers. The Panel continues to encourage the FCA to do more to inform and empower consumers, enabling them to use the Duty to improve their experiences of, and outcomes from, financial services providers.

At the forefront of the Panel's work is an emphasis on strengthening the consumer voice within the FCA, for example by improving engagement with and input from consumers and consumer organisations, to counter the strength of the industry voice. The Panel is pleased that the importance of incorporating the consumer voice in policy making has been acknowledged by the FCA Board. The Panel remains vigilant as to whether and how the consumer voice and a consumer-centric perspective are incorporated, acted upon,

and reported by the FCA. For example, the Panel would like to see greater transparency in FCA consultations and feedback statements on the nature and extent of consumer input, and the FCA's response.

Ensuring the consumer voice is heard and acted upon is especially important in the context of the significant amount, and speed, of regulatory and policy change in relation to the revised regulatory framework which came into effect under FSMA 2023, and ongoing delivery of the Edinburgh reforms¹, Mortgage Charter², and Mansion House pension reforms³. The Panel remains focussed on ensuring regulation delivers for consumers now and in the future to provide good outcomes for all consumers, including small businesses, throughout the economic cycle. For example, the Panel has engaged and will continue to engage on the joint HM Treasury/FCA Advice Guidance Boundary Review (AGBR)⁴. The Panel has challenged the FCA to realise the full ambition of this review, which presents an important once-in-a-lifetime opportunity to ensure that consumers are able to access high-quality affordable advice, and to improve outcomes for all consumers across financial services.

FSMA 2023 introduced a new statutory secondary objective for the FCA: to facilitate international competitiveness and growth (SICGO). The Panel expressed its concern that the FCA's primary consumer protection objective must not be diluted or weakened in pursuit of SICGO and we will continue to challenge where there is risk of or misleading reference to 'trade-off' or 'balance' between the primary consumer protection objective and SICGO. We are also keen to see how the FCA's Cost Benefit Analysis (CBA) Panel introduced by FSMA 2023 will evolve in the FCA's assessment of consumer cost/benefits.

Looking to the future, with the FCA setting its approach for the forthcoming strategic period and a new Government following July's General Election, such issues will remain among the Panel's ongoing priorities. Our priorities are set out further in [Chapter 7](#) of this report

I would like to thank all those who have engaged with us, helping us keep abreast of consumer insights and new and emerging issues in an everchanging landscape and to the FCA for its constructive engagement with us. Finally, I would like to express my sincere gratitude to Panel members, (including those who departed, some after a long period of service), for their valuable expertise and continued dedication to the Panel, often going above and beyond nominal expectations, and to the Panel's Secretariat for all their hard work in support of the Panel.



- 1 On 9 December 2022, the Chancellor of the Exchequer announced a set of reforms to drive growth and competitiveness in the financial services sector.
- 2 In June 2023, the then UK's largest mortgage lenders and the Financial Conduct Authority have agreed with the then Chancellor a set of standards that they will adopt when helping their regulated residential mortgage borrowers worried about higher rates.
- 3 In November 2023, the then Chancellor of the Exchequer announced further details on his plans for pension schemes to help boost UK growth as part of the Mansion House reforms.
- 4 The AGBR review seeks to ensure that a much broader range of consumers are empowered to proactively manage their finances as the current regulatory barriers have prevented the financial advice industry from providing more support to consumers.

Report overview

The seven chapters of this report set out how we have fulfilled our role in 2023/2024

1

We set out our vision, aims and priorities. These underpin everything we do and inform decisions about how we use our expertise.

2

We summarise our activities throughout this year and provide case studies of some of our key objectives.

3

We include our work focussed on the cost-of-living crisis.

4

We summarise the research projects we have completed this year.

5

We explain the advice and challenge we have provided to the FCA and others on a wide range of policy subjects – from everyday financial services, such as making payments, to consumer disclosures and cost cutting themes like inclusion and digital innovation.

6

We summarise the key concerns we have raised during the year and list the recommendations we have made to improve outcomes for consumers.

7

We set out that our priorities in 2024/25 will be the maintained regulatory focus on the cost-of-living, successful implementation, supervision and enforcement of the Consumer Duty, ensuring that regulation delivers for consumers both now and in the future, advocating for the consumer voice and the ethical use of data and AI.

Helen Chariton

July 2024

I. Our vision, aims and priorities

Our aim as a Panel

We represent the consumer interests. Our aim is to ensure the voice of the consumer is heard, and duly considered, by the FCA and by policymakers and industry.

Our vision for financial services

Our vision is that financial markets work well for consumers – both individuals and small businesses⁵ – and consumer harm does not occur.

This means that:

- Consumers are well-informed and empowered to take decisions.
- Firms act in consumers' best interests – those that do not, are robustly sanctioned or barred; and those that are unlikely to act in consumers' best interests are not admitted to the market.
- Consumers are protected from harm, know when they are protected, understand what "protected" means – and understand the limitations of that protection or when they have no protection at all.
- Regulators act swiftly and effectively to protect consumers against harm, including new and emerging harms, and regulation keeps pace with technological change.
- Regulation takes account of the wider socio-economic and demographic context, including diversity of consumers' lives, vulnerability, and the inherent asymmetry in consumers' skills and knowledge compared to those of the industry.
- Consumers receive prompt and commensurate redress when things go wrong.
- Innovation which benefits and protects consumers is encouraged and supported.

Our vision underpins the cross-cutting themes that inform all that we do. These themes are set out in [Chapter 5](#).

Our priorities

We focus on areas with risk of significant harm to consumers, or with the most significant implications for consumers. We introduced a prioritisation tool to support our decisions on when and how we respond to consultations and policy initiatives by the FCA and other relevant regulators and/or bodies.

⁵ Our remit regarding small businesses as consumers of financial services mirrors the FCA's perimeter which includes businesses that have an annual turnover of below £6.5m, an annual balance sheet total smaller than £5m and fewer than 50 employees. We focus on SMEs' experiences as consumers of financial services.

Our focus this year has included the ongoing cost-of-living crisis; the implementation, supervision, and enforcement of the Consumer Duty (the Duty) and further development of the regulatory landscape with the enactment of the Financial Services and Markets Act 2023 (FSMA 2023) and other government-announced reforms. In addition, we have addressed a wide range of sector-specific issues (covered in [Chapter 6](#) of this report). For 2024/25, we will continue to focus in particular on the Duty, and the future of regulation – ensuring the framework for financial services regulation is ‘fit for the future’, delivering good outcomes for consumers throughout the economic cycle.

This year, we have continued our regular engagement with HM Treasury on issues such as the National Payments Vision, the reform of the Consumer Credit Act, and the need to bring Buy Now Pay Later (BNPL) products within the regulatory perimeter given the significant growth in the market and the high potential for consumer harm, especially during the cost-of-living crisis. We will continue to encourage the FCA to explore the perimeter in areas such as BNPL, the Advice Guidance Boundary Review (AGBR) and personal guarantees.

2. Our impact in 2023/24

To deliver our objectives and meet our duties in 2023/24 we have:

Had 100 discussions with the FCA of which 23 were with the Chair, Chief Executive, or other Senior Executives.

Discussed 66 financial services policy subjects (all of which impacted consumers) across the range of stakeholders we engage with.

Responded to 47 consultations issued by the FCA, other regulators and government.

Met with 26 different external organisations including consumer organisations and advocates, industry bodies and charities.

Submitted 11 internal reports to the FCA Board highlighting the most significant issues impacting consumers.

Completed a research project on data ethics, and commissioned research projects on insurance pricing and renewals, where consumers go for help and how they use basic bank accounts and non-traditional payment methods (see Chapter 4).

Participated in 20 third party events.

Followed up on our research on consumer harms caused by equity release products by meeting with the FCA to understand their follow up work.

Whilst much of our impact arises through advocating on behalf of consumers in relation to the FCA's early thinking or proposed policy approach prior to publication, we provide below examples tracking our work to specific regulatory outcomes in 2023/24:

Incorporating the consumer voice in the FCA's approach

In the context of the changing regulatory landscape, we emphasised the continued imbalance between the consumer perspective and that of the industry, which has the resources (on an individual and collective basis) to engage comprehensively in the many policy debates including at an expert level. We have argued that regulators must do more to actively bring the consumer perspective and voice into everything they do. The FCA responded and acknowledged the importance of giving due weight to the consumer perspective, and we were pleased to see this acknowledged by the FCA Board. Based on our discussions and feedback, the FCA is taking steps to improve its consumer engagement approach, including reviewing the Consumer Partnerships Network, exploring best practice in consumer engagement, piloting alternative approaches and channels, and considering how to improve and embed consumer engagement into its processes. We were pleased with this initial response but will continue to challenge the FCA to ensure that contributions from consumers and the groups that represent them are included at all levels of the regulatory system, and that the consumer voice and a consumer-centric perspective are used, incorporated, and reflected in the FCA's approach, with due emphasis on, and greater transparency around, the consumer perspective.

Facilitating engagement with consumers and consumer organisations on policy proposals

We encouraged the FCA to ensure its consultation and other policy materials are accessible and useful for resource-constrained consumer groups. This would maximise crucial engagement and feedback on issues that really matter to consumers. We were encouraged to see the FCA create a user-friendly summary of its significant Access to Cash consultation, which was proactively shared with consumer-focussed stakeholders, including the FCA's Consumer Network.

Consumer testing of policy initiatives and proposals

We encouraged the FCA to conduct consumer testing in several specific policy areas to inform their final rules. We were pleased to see the FCA follow our proposed approach; for example, they have undertaken testing to identify what incentivises consumers to engage with their pensions and why.

We also encouraged the FCA to conduct consumer testing in relation to sustainability disclosure requirements, which the FCA also pursued.

We look forward to working with the FCA further to inform their approach to consumer testing.

3. Cost of living crisis

The cost-of-living crisis continues to affect individuals and small businesses. We remained alert to the effects of the current economic climate on financial services consumers, and systematically shared our concerns around the most critical areas where the FCA could intervene to provide support.

2023/2024 has continued to be a year of challenge for many consumers, whose budgets were already under strain from the events of the past few years.

Throughout the period covered by this report, persistent inflationary pressure gave rise to a steep increase in prices. Household finances have been significantly impacted, with those with lower financial resilience impacted the most⁶. Household savings have depleted, and pension contributions reduced, creating pressures on consumers' longer-term financial resilience⁷.

The driver for borrowing shifted towards managing day to day expenses⁸. Consequently, reliance on credit facilities has increased⁹ including the reliance on BNPL products. Simultaneously, the debt advice sector has seen a rise in demand for its services, and rising mortgage rates burden customers with already squeezed incomes. With many more fixed rates coming to an end during 2024, consumers are likely to continue to struggle in the face of higher mortgage repayments.

The financial challenges faced by consumers are likely to persist for some time. We continued to monitor this, shared our insights and concerns with the FCA and anticipate the impact on consumers that lie ahead.

As a result of our concerns, over the last year we recommended that the FCA:

- Does more to make sure consumers are aware of their rights (in relation to debt in particular) and to remind firms of the expectation to signpost customers to sources of help.
- Retains a focus on vulnerability, especially given the number of consumers turning to loan sharks and payday lenders to help meet the increased cost of living¹⁰.

6 www.jrf.org.uk/cost-of-living/unable-to-escape-persistent-hardship-jrfs-cost-of-living-tracker-summer-2023

7 www.hl.co.uk/features/5-to-thrive/savings-and-resilience-comparison-tool/savings-and-resilience-barometer-report-january-2024

8 bank.tescoplc.com/brits-fund-day-to-day-spending-with-borrowing-as-cost-of-living-bites/

9 www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2024/the-uk-consumer-credit-brochure---q1-2024.pdf

10 www.local.gov.uk/parliament/briefings-and-responses/westminster-hall-debate-credit-unions-and-cost-living-18-july#:~:text=They%20also%20evidence%20that%20one,cent%20an%20illegal%20money%20lender

- Ensures firms are adequately explaining the impact of increased interest rates on equity release products.
- Considers whether the Tailored Support Guidance (helping customers facing payment difficulties in relation to consumer credit, mortgages, and overdrafts) as transposed in the FCA Handbook¹¹, will be enough to prevent widespread harm in the mortgage market, in light of the decision of the Government at that time not to offer direct support.
- Develops a holistic approach to understanding the experiences and outcomes of later life consumers. We highlighted the risk that a product-focussed approach (e.g., on pension ‘pots’ or equity release) might obscure areas of harm (e.g. consumers might not appear to be in financial difficulty as they may be cross subsidising themselves through accessing pensions or not contributing to them).
- Reviews complaints data from the Financial Ombudsman Service (which showed a significant increase in complaint volumes during the period) through a cost-of-living lens to see if there was evidence of particular pressure points.
- Considers how it would measure and ensure consumers are receiving fair value, paying particular attention to whether the benefits of packaged products are being diluted or ‘hollowed out’ and the time taken to pay out on insurance claims.
- Makes sure that rate changes on lending and savings keep pace with each other as interest rates change.

We also discussed with other regulators of financial services and consumer groups the impact of the cost-of-living crisis on consumers. For example:

- We discussed with the Money and Pensions Service (MaPS) how the cost-of-living crisis was impacting the debt advice sector.
- We visited the Money Advice Trust (MAT) to hear about their cost-of-living insights, and how the Duty should improve outcomes for consumers who are in debt.
- We discussed the Mortgage Charter with the Building Societies Association and the Consumer Council for Northern Ireland, and the differing impacts it would have on the Northern Ireland market compared to other UK regions.

Such discussions with a range of stakeholders helped us build a wider, holistic picture of the impact of the crisis on consumers, which we have fed back to the FCA through our regular engagement channels, and dedicated cost of living engagement.

We will continue our focus on the continuing socio-economic pressures for consumers in 2024/25.

¹¹ www.fca.org.uk/publications/policy-statements/ps24-2-strengthening-protections-borrowers-financial-difficulty

4. Our research

We have a small annual budget to carry out research. Through our research projects we aim to stimulate debate and influence policy in areas where there are risks for consumers that are not being addressed, or gaps in understanding of how financial services products and services affect consumers.

Our research into potential bias in firms' use of data

In early 2023, we commissioned research to look for evidence on whether use of personal data and algorithms by financial services providers was leading to unfair, biased, or discriminatory outcomes for consumers with protected characteristics¹². We found a widespread assumption amongst experts in this field that some consumers experienced unfair bias and detriment relating to their protected characteristics due to the way firms used personal data and algorithms. We advocated for the FCA to further investigate the potential harms we identified and take action to strengthen consumer protection. We look forward to engaging with the FCA further on this important topic and will continue to advocate for the FCA to take action which will ultimately lead to greater consumer protection.

We also conducted quantitative research in four areas:

1. Consumers' experience of general insurance product renewals

We sought to understand consumers' views, knowledge, and experience of insurance renewals over a six-month period, especially in relation to pricing. This was in response to ongoing concerns about poor value in the insurance market, with consumers being asked to pay significantly more on renewal for the same or lesser cover. We focussed on home, motor, and travel insurance.

We found that a quarter of consumers had seen their car or home insurance increase by 75% in the last year, which is a significant cost increase for consumers to accommodate. Consumers who called their provider at the point of renewal nearly always received a lower rate. The fact that they had to proactively contact their

¹² www.fca.org.uk/panels/consumer-panel/publication/202307_for_publication_data_use_research_report.pdf

provider to receive a cheaper price appeared to us to be inconsistent with the FCA's expectations of firms under the Duty, especially the Fair Value Outcome.

We also found there were limited options available to consumers when it came to renewing their insurance, which lowered trust in the market overall.

2. Consumers' use of help and support

It is well documented that consumers want and would benefit from more help with their financial services products¹³. We therefore collected data on where consumers generally went for help throughout the product lifecycle – at the point of purchase, whilst using the product and when things had gone wrong.

We found that consumers wanted help but did not want to pay for it. The most popular sources of help were therefore, unsurprisingly, free sources – (in order of popularity) Money Saving Expert, comparison websites and friends, family, and colleagues.

3. Consumers' use and understanding of non-traditional payment mechanisms

Digitisation and innovation have increased the range and nature of payment mechanisms available to consumers, but we suspect that consumers do not fully understand the differences in protections, risks and fees associated with non-traditional payment mechanisms. By non-traditional we mean payment mechanisms other than cash, debit and credit cards and direct debit¹⁴. We therefore asked consumers which payment mechanisms they used and trusted and what protections they believed they had when using each mechanism.

We found that the main reasons for not using non-traditional payment methods was that consumers had not 'got round to it' or did not need it, or did not know enough about it. We found the most trusted non-traditional payment mechanism was the one which was likely most familiar to consumers: PayPal. Generally, consumers claimed to have a good understanding of the protections and redress available with each method, but information on this tended to come from family and friends. We did not test consumers' actual understanding, but we suspect they may be overconfident in this respect.

4. Consumers' use of Basic Bank Accounts

Consumers' use of Basic Bank Accounts (BBAs) has come into focus recently as the FCA's work on account closures found an unexpected variation in decline rates¹⁵. A BBA is an account designed for people who do not qualify for other types of current

13 [fintechmagazine.com/articles/banking-customers-want-more-personalised-financial-advice](https://www.fintechmagazine.com/articles/banking-customers-want-more-personalised-financial-advice)

14 PayPal; Mobile payment (e.g. ApplePay, GooglePay); money transfer via third party (e.g. Wise, Zing, XE, Western Union); Pre-loaded/pre-paid cards (e.g. Revolut, Ode, Hyperjar); Open Banking (e.g. Stripe, Truelayer, Ordo); Cryptocurrencies (e.g. Bitcoin, Etheruem, Tether)

15 www.fca.org.uk/publication/corporate/uk-payment-accounts-access-and-closures.pdf p42

accounts including a standard current account, e.g., because they have a negative credit history¹⁶. We know that 8.2% of respondents to the FCA's Financial Lives survey have a BBA. We had a hypothesis that more people could benefit from BBAs than were using them and so tested consumers' awareness, understanding and routes into BBAs.

Around a quarter of consumers we surveyed who did not have a BBA experienced issues where a BBA could have helped. This confirmed our hypothesis. This could be because firms are not promoting BBAs as well as they could be – we found nearly 60% of BBA-holders had to proactively approach a firm to open a BBA, compared to 25% where their bank or building society asked them to switch to one¹⁷.

Those surveyed who did have BBAs found them simple to use and useful for managing money and avoiding debt.

We will finalise our research recommendations in the coming months and look forward to engaging with the FCA on these and next steps, with a view to publishing our research and recommendations later this year. We will also provide an update in our next Annual Report.

¹⁶ www.gov.uk/government/collections/basic-bank-accounts

¹⁷ Our research showed the remaining 15% did not remember their route into a BBA

5. Cross-cutting themes

This section sets out our activities on cross-cutting themes. These themes span most financial services products and services and therefore affect large numbers of consumers.

Each of the areas covered below was a priority for us in 2023/24 and many will remain so for 2024/25. We selected these because they were the areas with risk of significant harm to consumers, or with the most significant implications for consumers.

We set out our position on each issue in the teal outlined boxes at the start of each section.

Consumers in vulnerable circumstances

Firms must understand that vulnerability – whether permanent or temporary – may be caused by a wide range of risk factors: social, situational, or medical. Vulnerability can also be caused by firms' own behaviour. Firms and the FCA should focus on the barrier/difficulty the consumer faces, rather than the cause of the vulnerability.

Highlighting the needs and experiences of vulnerable consumers has remained a theme running throughout our work this year. For example, we:

- Engaged with the FCA on the review of firms' treatment of consumers in vulnerable circumstances and are supportive of the FCA's overall direction for this work. We intend to continue engaging with the FCA on this topic as their review progresses.
- Considered vulnerability in relation to access to cash, where we encouraged the FCA to ensure firms considered how best to communicate changes to cash provisions to vulnerable consumers¹⁸.
- Called out the risks Big Tech firms pose to vulnerable consumers who would be unable to engage with the likely digital-based products and services offered¹⁹.
- Engaged with the FCA to highlight the need for additional support for vulnerable consumers in the Funeral Plan market.

¹⁸ [20240208_final_fscp_response_cp23-29_access_to_cash.pdf \(fca.org.uk\)](#)

¹⁹ [20240122-final-fscp-response-to-fca-consultation-in-bigtech-data-asymmetry.pdf](#)

Financial inclusion

We believe that regulators should encourage the widespread adoption of an inclusive design approach across the entire customer journey, so that products and services are accessible to, and useable by, the greatest number of people with a diverse range of needs, circumstances, and capability.

An inclusive design approach across the entire customer journey is crucial to achieve good outcomes for consumers and is something we consider in all aspects of our work and engagement.

We continued to call for the FCA and other policy makers to adopt an inclusive design approach and encouraged the FCA to remind firms of their responsibilities around inclusion under the Duty. In our response to the FCA's consultation on Diversity and Inclusion²⁰, we set out our view that inclusion within financial services, at all levels, would help to deliver better outcomes for consumers.

Small businesses as users of financial services

We represent the interests of individual consumers and SMEs using financial services. In the UK, the boundary between what is and is not protected for SME consumers is complex and less straightforward than for individual consumers. We are concerned that the SME experience of financial services and regulation is not well understood.

The sustained inflationary pressures continued to squeeze the budgets of small businesses. Rising interest rates have increased the cost of borrowing. This situation is likely to endure for some time, meaning that small businesses will continue to face significant challenges. For these reasons we reminded the FCA to consider the vulnerability of SMEs as well as individuals when it is supervising firms, especially in terms of supporting those in financial difficulty.

We continued to engage with the Federation of Small Businesses (FSB) to discuss issues faced by SMEs and inform our engagement with the FCA. Our conversations with the FSB have focussed on SMEs' access to finance, de-banking, access to cash and, more recently, the FSB's Super Complaint²¹ to the FCA about banks' use of personal guarantees

²⁰ [20231218-final-fscp-response-to-fca-di-consultation.pdf](#)

²¹ [www.fsb.org.uk/resources-page/super-complaint-calls-out-banks-use-of-harsh-personal-guarantees-which-can-force-small-business-owners-to-put-their-homes-on-the-line.html](#)

Protection and redress

Consumers should have access to prompt and commensurate redress and should be helped to understand the roles of different regulators so that they know who to go to when things go wrong.

We engaged with the FCA throughout the year on matters relating to redress policy such as broadening retail access to the long-term asset fund²², the expansion of the Dormant Asset Scheme²³ and capital deductions for redress²⁴. We remain concerned about the gaps in the safety net for consumers, notably the lack of protection for those harmed by consumer credit firms.

We recognise the FCA is one part of the redress system for financial services consumers, which also includes the Financial Ombudsman Service (FOS) and the Financial Services Compensation Scheme (FSCS). We have consistently called for the three organisations to work in a joined up way so as to deliver consistent outcomes and maximise the impact of the data each holds on addressing and deterring poor conduct. We advocated for fines to be used to support redress for consumers, rather than being paid to HMT, but acknowledge that this would require legislative change²⁵. We will continue to advocate for firm fines collected by the FCA to be used to fund consumer redress and look forward to ongoing conversations with the relevant bodies.

As part of our engagement, we meet with the Financial Regulators Complaints Commissioner on an annual basis and look forward to continued engagement with Rachel Kent, who was appointed to the role during the year.

We also engaged with the FOS and the FSCS:

Our engagement with the work of the Financial Ombudsman Service (FOS):

We responded to the FOS consultation on its Strategic Plans and Budget²⁶. The key theme of the response was to highlight the need for the FOS to be adequately funded and set up to be best prepared for changes in the financial services landscape, including the introduction of new products and services, innovations in delivery and the Duty. On this, we:

22 [final_response_to_fca_broadening_retail_access_to_the_long-term_asset_fund.pdf](#)

23 [www.fca.org.uk/panels/consumer-panel/publication/20230718_final_fscsp_fca_dormant_asset_scheme_phase_2_response.pdf](#)

24 [www.fca.org.uk/panels/consumer-panel/publication/20240320_final_fscsp_response_fca_capital_deductions_for_redress.pdf](#)

25 [www.fca.org.uk/panels/consumer-panel/publication/final_fscsp_fca_compensation_framework_review_002.pdf](#)

26 [20240130_final_fscsp_response_to_fos_annual_plan_and_budget_2024.pdf](#) (fca.org.uk)

- Encouraged work aimed at the prevention of harms and requested clearer identification of harmful activities which drove similar complaints and set targets for reductions in those areas. Within this, we highlighted the time-lag between the harm and the discovery of the cause of harm. There would inevitably be a time-lag due to complaints making their way through the process and reaching the FOS, meaning it is likely that cost of living related complaints may not be likely to manifest until 2024-2025.
- Welcomed the emphasis on case fees reflecting the ‘polluter pays’ principle as this should be a cornerstone of any redress mechanism.
- Encouraged the FOS to consider consumer complaint levels about Claims Management Companies (CMCs) as it may disincentivise consumers from using these services and therefore receiving 100% of their redress payment.
- Welcomed the Solicitors Regulation Authority’s (SRA) proposals to protect consumers from excessive charges in financial service claims. We were pleased to see (and supportive of) the SRA’s intention to bring the terms upon which consumers access and use solicitors as CMCs into a position where they mirror the terms upon which consumers access and use other CMC services²⁷.

Our engagement with the work of the Financial Services Compensation Scheme (FSCS)

We held quarterly meetings with the FSCS this year to share insights, discuss trends, discuss their strategic approach, and hear insights into consumers’ experience of the scheme. Key issues we raised with the scheme this year were similar to those raised last year, including:

- Whether the current compensation limit needs to be increased.
- The importance of consumers understanding the protections available to them before investing their money in any financial product and how the FSCS was working to raise consumer awareness of the scheme.

²⁷ [20230719_final_fscs_response_sra_protecting_consumers_from_excessive_charges_in_financial_service_claims.pdf](#) (fca.org.uk)

Sustainability and climate change

Many consumers are looking for more sustainable investment products. This brings both benefits and risks in that it may diversify product offerings and increase competition between firms, but there is also an increasing likelihood of misleading descriptions of products as ‘green’ or ‘sustainable’ in order to attract customers.

Regulators have been considering the potential harm from ‘greenwashing’ for some time. This year, significant intervention was made by way of the FCA’s proposed Sustainability Disclosure Requirements (SDRs) and investment labels. The key theme of our response to the FCA’s proposals was to encourage the FCA to undertake consumer testing to inform any policy changes²⁸. We also:

- Encouraged the FCA to consider a requirement that Boards should assess that the approach to applying sustainability labels to their products is robust.
- Proposed that the FCA undertake a post-implementation review to assess whether the new measures are performing as expected.
- Recommended further consumer testing as part of any post-implementation review.

We also responded to the FCA’s Guidance on the anti-greenwashing rule²⁹, highlighting the need for:

- Consumer trust and confidence – by encouraging firms to take preventative measures to tackle greenwashing in the description and marketing of financial products and services.
- Consumer understanding – it is crucial that messaging around sustainability does not add confusion or deter the public from engaging with finance.
- Consumer research – we encouraged the FCA to undertake research into consumer concerns about sustainability and whether these impact consumers’ willingness and ability to engage with finance and make rational decisions.
- Firms’ understanding and behaviour – we encouraged the FCA to provide comprehensive and specific guidance to firms given the complex and evolving nature of sustainable finance, policy and regulation.

²⁸ www.fca.org.uk/panels/consumer-panel/publication/final_fscp_response_fca_-_sustainability_disclosure_requirements_cp22-20.pdf

²⁹ www.fca.org.uk/panels/consumer-panel/publication/20240126_final_fscp_fca_greenwashing_response.pdf

Regulation in a digital age

Our vision for firms' use of data and digital solutions (including algorithms, artificial intelligence (AI) and machine learning) is that consumers understand what data is being recorded, its purpose and how it will be shared. Data should be accurate, current, inclusive and representative and firms' use of digital solutions should promote inclusion and reduce exclusion. We would also like to see the ethical treatment of consumer data and use of digital solutions embedded into firms' governance frameworks.

The rapid development of technology has continued to have a significant impact on financial services markets. Some of this change may be more obvious to consumers, such as new product offerings including crypto, but much happens “behind the scenes”, such as the use of algorithms and AI to influence risk and pricing decisions. It is difficult for consumers and regulators to keep up with such rapid change. We continue to monitor the potential harms caused to consumers by technological change and offer our insights to the FCA as its regulatory approach adapts to meet new challenges.

This year we have discussed in particular crypto, firms' use of data and AI and digital marketing.

Crypto products

We continue to monitor and engage with plans to regulate crypto products. We are encouraged to see the progress made by the previous Government and the FCA, such as the plans to legislate for a future financial services regime for cryptoassets and the regulation of the issuance and custody of fiat-backed stablecoins. We will continue to engage with the FCA on both the high-net-worth exemption and self-certified sophisticated investors.

Part of our work in the crypto space focussed on stablecoins. Within our responses to the FCA³⁰, Bank of England and HM Treasury³¹, we expressed our concern about the development of a ‘money’ and payments regime which distinguished between forms of money and payment systems that are systemic and those that are not. We therefore:

- Encouraged consideration of accessibility to all consumers if they chose to make use of stablecoins.

³⁰ www.fca.org.uk/panels/consumer-panel/publication/20240206_fscp_final_response_fca_stablecoin_response.pdf

³¹ www.fca.org.uk/panels/consumer-panel/publication/20240206_final_fscp_response_to_the_boe_and_hmt_discussion_paper_on_regulatory_regime_for_systemic_payment_systems.pdf

- Highlighted the need for consumer protection – the regime should offer a minimum level of protection for consumers, including against fraud and losses as a result of firm failure.
- Recommended that uniformity of money be maintained and that FSCS protection be in place for regulated stablecoins.

Use of data, algorithms, and AI

We have long-held concerns about firms' use of data and algorithms which give rise to the risk of financial exclusion and price discrimination, especially for consumers who may be vulnerable. These risks increase with Big Tech firms' entry into financial services, as they collect and use a much wider range of data than incumbent financial services firms. We therefore welcomed the FCA's Call for Input exploring the potential impacts of this "data asymmetry" between Big Tech and financial services firms. However, we challenged the FCA's narrow focus on competition impacts as we believe that, as with all areas of policy, consumer outcomes should be the starting point³².

In 2023, we published research on whether the use of personal data and algorithms by financial services providers was leading to unfair, biased or discriminatory outcomes for consumers with protected characteristics as referred to in [Chapter 4](#)³³.

Digital marketing/financial promotions

We have been concerned about the potential consumer harm arising from digital marketing since we conducted our research³⁴ in this area in 2020 and have used insights from this research to inform discussions with the FCA. We are also concerned about the rise in unregulated financial promotions.

We engaged with the FCA's Financial Promotions Enforcement Taskforce (FPET) to highlight our concerns and provide examples of unfair or misleading promotions. We have particular concerns about the appropriateness of promotions made on social media and therefore recommended that the FCA makes clear within guidance that social media promotions are unlikely to comply with the FCA's rules. The FCA published new guidance in March this year on financial promotions on social media³⁵.

We have also focussed on the financial promotion of crypto products. We recommended that the FCA did not consider self-certification, as a sophisticated or high net worth investor, as a route for firms to demonstrate suitability³⁶. We also recommended that any guidance ensured the authorised persons communicating or

32 www.fca.org.uk/panels/consumer-panel/publication/20240122-final-fscsp-response-to-fca-consultation-in-bigtech-data-asymmetry.pdf

33 www.fca.org.uk/panels/consumer-panel/publication/202307_for_publication_data_use_research_report.pdf

34 www.fca.org.uk/panels/consumer-panel/publication/fscsp_final_digital_advertising_discussion_paper_20200630.pdf

35 www.fca.org.uk/publications/finalised-guidance/fg24-1-finalised-guidance-financial-promotions-social-media

36 www.fca.org.uk/panels/consumer-panel/publication/final_fscsp_response_to_fca_guidance_on_cryptoasset_financial_promotions.pdf

approving financial promotions considered their obligations under the Duty. The Panel was pleased to see this reflected in the FCA's Finalised Guidance³⁷.

We look forward to engaging with the FCA further to reduce and prevent the serious consumer harm that arises due to unregulated and misleading promotions.

The Financial Services Register

The Financial Services Register (the Register) maintained by the FCA needs to be developed further to ensure it is easily usable by consumers, to enable and empower them to make informed decisions about using financial services providers.

Consumers are repeatedly told to use the Register to avoid being scammed or induced to deal with unregulated businesses. We want to ensure consumers can use the Register with confidence, to determine when they are, and are not, protected by regulation when engaging with financial services firms and individuals.

This year the FCA has been progressing significant changes to the Register which we have been pleased to discuss with them. Whilst we have been encouraged by the changes being made, we believe there is more to do here, such as making the Register more consumer friendly and easy to navigate. We will continue to advocate for the FCA to employ the consumer perspective in its approach, such as considering what function(s) consumers need the Register to perform in order to make an informed decision. We note that the risk of consumer harms caused by misleading information on the Register is likely to persist because the FCA is not liable for the quality and accuracy of this information.

Only by thinking about consumer needs first, will the FCA be able to deliver the right outcomes for consumers. We look forward to continued engagement with the FCA team on this important topic.

³⁷ FG24/1: Finalised guidance on financial promotions on social media ([fca.org.uk](https://www.fca.org.uk))

6. Sector-specific issues

Payments and e-money

A safe, resilient and universally accessible payment system should be available to all. It should offer consumers clear informed choices and ensure consumer protections and privacy, while enabling seamless low-cost value transfers across the economy.

Payments are essential for everyone to participate in modern society. We remain highly concerned about poor behaviour by firms, inconsistent consumer protections and a complex regulatory landscape in the payments sector. These concerns are further exacerbated by the high pace of change, innovation and lack of consumer awareness. For this reason, and because all consumers depend on payments, we view payments as one of the highest risk sectors in terms of consumer harm and non-compliance with the Duty.

We have discussed our concerns with the FCA and the Payments System Regulator (PSR) throughout the year, in meetings and through formal responses to consultations³⁸. We provided input to HM Treasury's Future of Payments Review³⁹. Key points we have raised include:

- For payments to deliver good outcomes for consumers, consumers must trust individual payments and the wider Payment System. This requires payments to be safe, secure, and reliable. A key threat to safety and security is the prevalence of fraud, and so we have called for the strengthening of the regulatory regime that addresses fraud throughout the system and encouraged the FCA to change its metric⁴⁰ of “slowing the growth of fraud” to “reducing fraud”.
- Consumer protection across the Payment System is not consistent, which is difficult for consumers to understand. Therefore, they cannot make informed choices about which payments mechanism to use. We have argued that payments should have FSCS-like protection attached, rather than the weaker safeguarding regime.
- Increasing digitisation in the Payment System – including via crypto currency offered by financial services firms – increases the risk of further fragmentation of the overall system. In turn, this fragmentation could lead to a greater rate of financial exclusion, higher costs, new unwanted risks, a loss of

38 www.fca.org.uk/panels/publications-search-results?category=consumer%20panel&pp_search_term=&publication_type=responses_to_consultations&sort_by=dmetaZ

39 www.fca.org.uk/panels/consumer-panel/publication/20230905_final_fscpr_response_-_hmt_future_of_payments_review_call_for_input.pdf

40 www.fca.org.uk/data/fca-outcomes-metrics

competition, significant economic inefficiencies and, ultimately, economic, and societal instability.

On this topic, we also provided input to the PSR's consultation on Authorised Push Payment (APP) scams: the consumer standard of caution and excess and maximum reimbursement level for Faster Payments and CHAPS⁴¹. Key points raised include:

- Our support of mandatory reimbursement for victims of APP fraud.
- Concerns that the proposals may add unnecessary barriers in seeking redress for victims of APP fraud. We agree that the best way to address the growing prevalence of APP fraud in the UK is to prevent it.
- Reminding the PSR that small and micro businesses are also victims of fraud and should be considered in policy proposals/changes.

We support a long-term and strategic approach to address these (and other) issues in the payments sector, and would encourage the Government to consider these issues as part of the development of a National Payments Vision⁴².

We have also conducted research to assess consumer use and understanding of non-traditional payment mechanisms. This is discussed in [Chapter 4](#) of this report.

Access to essential banking services

All consumers and SMEs should be able to access fair value, essential banking services to support their everyday lives and businesses, using the method that best suits their needs and preferences (including those who, by necessity or choice, rely on cash and/or face-to-face contact with their banking provider). This includes the right to deposit, store, transfer and withdraw money.

FSMA 2023 gave the FCA new powers in relation to preserving access to cash services, which we welcomed given our focus on access for all according to need and preference. However, we have stressed to the FCA throughout that attention must also be given to the wider essential banking services that some consumers, including SMEs, need or wish to conduct in branch⁴³.

We also engaged in the debate around de-banking, which raised questions about consumers' rights to access accounts, and in what circumstances that access can and should be revoked. We have shared with the FCA our belief that all consumers

41 www.fca.org.uk/panels/consumer-panel/publication/20230912_final_fscpr_response_-_psr_app_scam_mandatory_reimbursement_regime.pdf

42 www.fca.org.uk/panels/consumer-panel/publication/20230905_final_fscpr_response_-_hmt_future_of_payments_review_call_for_input.pdf

43 www.fca.org.uk/panels/consumer-panel/publication/20240208_final_fscpr_response_cp23-29_access_to_cash.pdf

should have the right to access free services that enable them to receive, store and transfer money; today and in any future non-cash-based economy. We understand that there may be some necessary restrictions on the permitted uses of a customers accounts. However, in the interest of fairness and consistency, we believe that any criteria in place should be defined and overseen by an independent body rather than the individual firms offering accounts.

Open Banking

Open Banking must deliver safety, control, and value for consumers. There should be clear accountability for data, supported by secure and robust systems. Open Banking processes should be clear and transparent so consumers can make informed choices and the rollout of non-sweeping Variable Recurring Payments.

Open Banking (a secure way for consumers and businesses to give regulated third-party providers (TPPs) access to their payment account data and to initiate payments⁴⁴) has continued its iterative development this year, with advancements of the governance model and the rollout of Variable Recurring Payments⁴⁵. In discussion with the FCA and PSR we have continued to advocate for consumer protection to be built into the foundations of the Open Banking system from the beginning. This will ensure that key risks of harm to consumers are mitigated before potential benefits can be unlocked.

We also provided input to the PSR's consumer research on premium Application Programming Interfaces (APIs), which will identify critical use cases and risks for consumers.

Lending

Consumers should be able to understand the range of credit products available to, and suitable for them. They should be supported when they face temporary repayment difficulties and not face unfair barriers to switching.

Credit is, for many, an essential part of everyday life. We want to see consumers have access to a range of products, the terms of which they can understand so that they can make informed decisions about suitability, costs, and any long-term implications. As the cost-of-living has remained high over the last year, so too has the risk of harm to consumers engaging with credit products. We have been closely monitoring

44 assets.publishing.service.gov.uk/media/643e608e22ef3b000c66f3bf/JROC_report_recommendations_and_actions_paper_April_2023.pdf

45 www.fca.org.uk/panels/consumer-panel/publication/20240130_final_fscsp_response_to_psr_consultation_vrps.pdf

potential harm to consumers and discussed lending and credit with the FCA as part of our regular cost-of-living input (covered in Chapter 3). We have welcomed additional support measures such as the Mortgage Charter and the permanent transposition of the Tailored Support Guidance into the FCA Handbook⁴⁶.

A key regulatory development in credit markets this year has been the publication of the final outcome of the FCA's Credit Information Market Study⁴⁷ which contained the FCA's proposed package of remedies aimed at addressing concerns in the market. Work has now commenced on implementing the suite of remedies. Whilst we supported many of the FCA's proposals, we raised concerns about what we perceive to be an over-reliance on industry-led governance and so have called for the FCA to strengthen its involvement in the future governance bodies⁴⁸. We have also expressed our disappointment in the extended timeline to deliver the remedies given the scale and nature of the failings identified in this market. We will continue to discuss the Market Study remedies with the FCA throughout their implementation.

HM Treasury consulted on draft legislation for the regulation of BNPL firms from February 2023 to April 2023. We responded in detail to the proposals and set out our belief that, overall, the legislation, combined with the application of the Duty to BNPL firms, would result in consumers having the right information to make sound decisions about BNPL products and being better protected when things go wrong⁴⁹. Regulation of BNPL is essential to preventing harm to consumers and we remain keen to see it brought within the FCA's perimeter as a matter of urgency.

Financial difficulty and debt advice

Consumers should have access to high-quality and tailored support and advice when they need it. This should allow them to resolve debts without compromising their ability to pay for essentials, as well as promote their long-term financial wellbeing.

The system of support for consumers in financial difficulty – whether it be short-term issues meeting payments or bigger and longer-term issues requiring formal debt advice – should work holistically and efficiently as a whole, so that consumers receive good outcomes as required by the Duty. This has been especially important this year in the context of the significantly increased cost of living.

With this in mind, we have raised concerns with the FCA about capacity and quality in the debt advice sector. We were pleased to discuss with the FCA its work to assess

⁴⁶ www.fca.org.uk/panels/consumer-panel/publication/20230725_final_fscsp_response_on_fca_consultation_on_tsg.pdf

⁴⁷ www.fca.org.uk/publications/market-studies/ms19-1-credit-information-market-study

⁴⁸ www.fca.org.uk/panels/consumer-panel/publication/20230224_final_fscsp_response_-_cims_interim_report.pdf

⁴⁹ www.fca.org.uk/panels/consumer-panel/publication/20230414_final_fscsp_response_-_hmt_bnpl_consultation.pdf

and address quality issues, which included its multi-firm work with not-for-profit debt advice firms. During these conversations we challenged the FCA to develop a clear vision of what a good outcome looks like for consumers of debt advice. We have also engaged with the Insolvency Service on the Personal Insolvency Framework Review which we hope will further improve consumer journeys and outcomes in debt advice.

We have long been concerned about consumer harm in the Individual Voluntary Arrangement (IVA) market, particularly in relation to how IVAs are promoted, and have continued to discuss our concerns with the FCA and other regulators, as well as other consumer representatives including Citizens Advice. We were therefore pleased to see the Insolvency Service announce research into the consumer experience of IVAs⁵⁰ which will shine a much-needed light on the harm caused by IVA providers and, we hope, drive the necessary regulatory intervention.

General insurance

General insurance products are vital for consumers and provide them with protection when things go wrong. Consumers should not only have a clear understanding of products and charges, but they should also receive fair value and be able to make claims in a straightforward manner.

We remain engaged with the issues arising in the General Insurance (GI) market and continue to bring to the FCA's attention our key concerns regarding the poor conduct of firms coupled with sharp increases in the cost of insurance – and consequent risk of poor consumer outcomes – in the insurance sector.

We have longstanding concerns that loaded premiums are being used for the purpose of generating commissions, contrary to consumer interests. This does not offer fair value to consumers. Combined with increased inflation and the ongoing cost of living issues, consumers face harm which is not in line with the principles under the Duty. We remain concerned about consumer confusion around whether or not they have received regulated advice when insurance products are distributed online.

With the increased use of social media, we are also concerned about the increased volume of advertising on social media and misleading adverts by social media influencers. Poor quality financial promotions on social media can lead to significant consumer harm due to their wide reach, frequency, and the complex nature of financial services. We responded to the FCA's consultation on financial promotions on

50 www.gov.uk/government/publications/research-into-concerns-around-individual-voluntary-arrangements#:~:text=Details-,The%20Insolvency%20Service%20wants%20to%20understand%20the%20experience%20of%20some,for%20individuals%20in%20financial%20distress.

social media⁵¹ where we highlighted our concerns and outlined our expectations that firms issuing financial promotions did so in line with the principles under the Duty.

We have continued to talk with the FCA about declining service standards within the Insurance industry with poorer service being experienced by consumers alongside slower repairs and higher instances of write-offs in motor insurance and initial compensation offers being too low.

We responded to the FCA's consultation on multi-occupancy buildings insurance⁵² where we noted our concerns about the risk of poor outcomes experienced by leaseholders because of undisclosed commissions which were being compounded by weak market conditions together with questionable insurer and broker conduct and spoke to this at Treasury Select Committee (TSC). We have encouraged the FCA to ensure the interest of leaseholders are properly considered, to look closely at broker behaviours and incentives and to ensure all premiums charged are of fair value to both leaseholders and freeholders.

The Panel continues to meet regularly with the FCA's General Insurance team to share insights, updates, and next steps.

Advice and Guidance

The provision of advice and guidance requires radical change in this market, with regulators and policy makers enhancing their understanding of the needs of consumers in a holistic manner. Good consumer outcomes require comprehensive understanding of consumer needs and behaviours that can only be achieved through a consumer-based perspective and direct consumer engagement.

The Panel engaged with the joint review by the FCA and HM Treasury to examine the regulatory boundary between financial advice and other forms of support-sometimes referred to as 'the advice gap'.

The advice gap refers to the gap between holistic financial advice that is unaffordable for many, and guidance that is free to access but not personal to the consumer⁵³. Whilst we are supportive of change in this market, we believe the current framing of the review is too narrow in scope and starts from the wrong place (being very incremental in thinking) and is unlikely to result in good outcomes for consumers. Consumers should be able to get help when needed; this may depend on affordability

51 www.fca.org.uk/panels/consumer-panel/publication/202230915_final_fsc_response_to_fca_guidance_on_social_media_financial_promotions.pdf

52 www.fca.org.uk/panels/consumer-panel/publication/final_fsc_response_fca_-_multi-occupancy_buildings_insurance_consultation.pdf

53 www.fca.org.uk/news/press-releases/greater-support-peoples-financial-decisions-regulator-government-proposals#:~:text=The%20gap%20between%20holistic%20financial,doesn't%20break%20the%20bank

but regardless of this, they should be able to access some sort of help that enables them to make an informed decision with a view to improving their financial situation. The help they receive should be suitable for their needs and understood by consumers. The FCA should address any knowledge gaps in existing research through a thorough and creative programme of further research (if necessary) and consumer engagement. We would like to see this comprehensive understanding being used to redefine the issues faced by consumers as a starting point to develop a regime that genuinely works for consumers.

In our engagement with the FCA we highlighted our key concerns in our response to its consultation on proposals for closing the advice gap⁵⁴. We suggested the FCA considered reviewing the effectiveness of the covid-era guidance issued to firms, the expectations on firms to offer advice to existing customers under the Duty, and to make use of the FCA's Sandbox related services, to promote the development of technology-driven advice services. We also encouraged the FCA to remove any barriers to the Money and Pensions Service's (MaPS) services operating right up to the regulated boundary to enable them to give advice to consumers.

We look forward to continued engagement with the FCA to ensure a consumer focus of this work in order to realise the full ambition of this once-in-a-lifetime opportunity.

Pensions

Consumers wishing to select pension options for their immediate and long-term needs need the right information at the right time. Those accessing their pension for the first time should receive high-quality, impartial guidance on the options. All consumers must be provided with a clear complaint process/route to redress should things go wrong.

For some consumers, their first meaningful interaction with their pension begins when they reach state pension age, but we are eager to ensure and recommend that consumers engage with their pensions at an earlier stage. This will aid them in any later life choices they may need to make.

We are concerned that during the period covered by this Report, the ongoing cost of living crisis, coupled with rising inflation has led to one in five consumers cutting their pension contributions or ceasing them altogether⁵⁵.

We engaged with various regulators and the Department for Work and Pensions (DWP) on proposals to stimulate the UK's capital markets by relaxing the rules governing Defined Benefit (DB) schemes whilst highlighting the impact of unintended

54 www.fca.org.uk/panels/consumer-panel/publication/20230905_final_fscp_response_to_dwp_helping_savers_understand_their_pension_choices.pdf

55 www.standardlife.co.uk/about/press-releases/cost-of-living-and-pension-contributions

consequences to members such as higher costs. We also raised questions around how DWP could help savers understand their pension choices⁵⁶ and the impact on trustee skills, capability, and culture. We also responded to the Taskforce on Social Factors' pension guidance where we emphasised that the role of a pension trustee is to ensure that scheme members receive a good pension⁵⁷.

A key improvement to consumer journeys and outcomes in pensions is the introduction of the Pensions Dashboard. We have been disappointed by the delay and lack of progress, although we were pleased to see publication of a revised timetable for implementation of the Dashboard. We continued engagement with the FCA and MaPS to ensure that the Duty is at the heart of the Dashboard Programme. We also engaged with MaPS on the Pension Strategy, Stronger Nudge Project and provided feedback on their Pension Wise Digital services. We look forward to working closely with MaPS on pensions and other related issues such as the AGRB.

Consumer Investments

Consumers with investible assets should be supported to make active and informed decisions to invest as appropriate to their circumstances, thereby maximising their own returns and supporting the real economy. The use of client self-certification should be removed.

With the rise of crypto, we anticipate that consumer investments in both regulated and unregulated products will continue to grow. As a result, it is crucial that consumer disclosures are designed in a way that allows consumers to make effective decisions and easily compare the risks and benefits of different options, including across product types. We have and continue to advocate for standardised disclosures where it will likely benefit consumer decision making. We have encouraged the FCA to think creatively in relation to disclosures (e.g. written, video and in app) and are pleased at their recent announcement to move away from standard PDFs.

Within the majority of our consumer investment related consultation responses and interactions with the FCA, we stressed the importance of effective consumer testing to determine which approaches are most effective in supporting consumers in making decisions about their investment options. This applies to asset management⁵⁸, stablecoins, and all other consumer investment areas.

56 www.fca.org.uk/panels/consumer-panel/publication/20230905_final_fscp_response_to_dwp_pension_trustee_skills_capability_and_culture_call_for_evidence.pdf

57 www.fca.org.uk/panels/consumer-panel/publication/20231201_final_fscp_response_tsf_guidance_consultation_on_considering_social_factors_in_pension_scheme_investments.pdf

58 www.fca.org.uk/panels/consumer-panel/publication/20230522_final_fscp_response_fca_-_asset_management_regime_-_dp23-2.pdf

7. Our priorities for the year ahead

This section sets out the Panel's priorities for 2024/25. We conduct an annual review of our priorities, considering our progress against the previous year's priorities, the FCA's own priorities and the external environment. We will reprioritise during the year if circumstances require us to do so.

We have identified the following priority areas of focus for 2024/25:

Socio-economic environment	Cost of living challenges persist for many consumers, especially those who are vulnerable, with scams and fraud remaining a risk. We are keen to see a maintained regulatory focus on this issue.
Consumer Duty	We will retain our focus on the Duty, challenging the FCA to implement, supervise and enforce the Duty so that standards improve across existing and new products and services. Alongside this, we will continue our engagement with the FCA on its strategy for overseeing the implementation of the Duty on closed-book products. We remain of the view that the Duty should be enshrined in primary legislation. This will put the Duty at the pinnacle of regulation.
Regulation that delivers for consumers: now and in the future	The framework for financial services should deliver good outcomes for all consumers (including SMEs) throughout the economic cycle. This includes ensuring that the perimeter is appropriate and that there are processes for keeping abreast of innovation and change. Additionally, there should be no trade-off between the FCA's primary and secondary objectives that could lead to a dilution of consumer protections. We are keen to see, as the Cost Benefit Analysis (CBA) Panel evolves, how costs and benefits to consumers and SMEs are being treated.
The consumer perspective and voice	We will persevere in advocating for consumers and the groups that represent them to be able to input into all levels of the regulatory system. We will challenge the FCA on whether and how the consumer voice and a consumer-centric perspective are used, incorporated, and reflected in the FCA's approach, with due emphasis on, and greater transparency around, the consumer voice.

Ethical use of data and AI

We will continue to encourage the FCA to maintain a clear focus on firms' use of data and AI, ensuring regulation and consumer protection keep pace with technological advances. We will advocate for the ethical treatment of consumer data and use of AI embedded into firms' governance frameworks.

We will maintain our sector-specific focus in 2023/24. For example, on disclosures we will continue to encourage the FCA to undertake consumer testing whilst recommending removal of client self-certification; in the context of any new Payments Vision⁵⁹, we will stay focussed on poor behaviours by firms, inconsistent consumer protections and a highly complex regulatory landscape. We will continue to monitor the effectiveness of the FCA's regulatory perimeter whilst flagging any relevant intelligence of breaches.

In our work throughout 2024/25, we will consider the following cross cutting themes:

- The needs of vulnerable consumers – Firms must understand that vulnerability – whether permanent or temporary – may be caused by a wide range of risk factors: social, medical, situational, and, indeed, by the behaviours of financial services firms. The FCA and firms should focus on the barrier/difficulty the consumer faces, rather than the cause of vulnerability. We expect to see outcomes for vulnerable consumers improve under the Duty.
- The needs of smaller businesses – The FCA's perimeter in relation to smaller businesses is complex. Issues facing smaller businesses are typically an afterthought, especially in terms of vulnerability. We would like to see the FCA do a thematic review of smaller business issues.
- Financial inclusion – we see this as a key part of markets working well (one of the FCA's strategic objectives). In the long term, we would like to see the FCA be required to have regard to financial inclusion.
- Sustainability – In light of climate change, many consumers are looking for more sustainable products. This brings the risk of products being mis-described as 'green' or 'sustainable' in order to attract customers.
- Redress – Consumers should have access to prompt and commensurate redress. There should be consistency in the accountability and outcomes across the regulatory family. It should be clear where consumers can go when something has gone wrong, and they should have confidence they will be appropriately reimbursed.
- Consistency in regulatory outcomes – products which are similar, or appear similar to consumers, should be regulated in the same way and attract the same regulatory protections.

59 www.gov.uk/government/publications/future-of-payments-review-2023

Appendix I:

Panel members 2023/24

Please note that Panel members may have been unable to attend some Panel or Working Group meetings as they were required to attend other business on behalf of the Panel.



Helen Charlton – Chair

Attendance at full Panel meetings: 11/11
Attendance at Working Group meetings: 22/22



James Plunkett (Until May 2023)

Attendance at full Panel meetings: 2/2
Attendance at Working Group meetings: 2/2



Francis McGee

Attendance at full Panel meetings: 10/11
Attendance at Working Group meetings: 11/11



Keith Richards (Until August 2023)

Attendance at full Panel meetings: 4/4
Attendance at Working Group meetings: 4/4



Jonathan Hewitt

Attendance at full Panel meetings: 11/11
Attendance at Working Group meetings: 11/11



Julia Mundy

Attendance at full Panel meetings: 11/11
Attendance at Working Group meetings: 11/11



Natasha de Teran

Attendance at full Panel meetings: 11/11
Attendance at Working Group meetings: 11/11



Julie Hunter

Attendance at full Panel meetings: 10/11
Attendance at Working Group meetings: 11/11



Johnny Timpson

Attendance at full Panel meetings: 11/11
Attendance at Working Group meetings: 11/11



Rebecca Driver

Attendance at full Panel meetings: 11/11

Attendance at Working Group meetings: 11/11



Larna Bernard

Attendance at full Panel meetings: 10/11

Attendance at Working Group meetings: 10/11



Angela Stathi (From February 2024)

Attendance at full Panel meetings: 2/2

Attendance at Working Group meetings: 2/2



Katherine Wilson (From February 2024)

Attendance at full Panel meetings: 2/2

Attendance at Working Group meetings: 2/2

Appendix 2: Diversity Statement

The FCA has adopted diversity targets for all the FCA's Independent Panels. These targets reflect those introduced by the FCA in April 2022 for the board and executive management of listed companies and are as follows:

- At least 40% of each Panel are women.
- At least one of the senior positions (Chair, Deputy Chair or equivalent) across the Panels is held by a woman.
- At least one member of each Panel is from an ethnic minority background.

Against these targets, we can report that as of 31 March 2024:

- 63% of the Consumer Panel are female. This meets the target set by the FCA.
- Across all the Independent Panels, the target for at least one senior position to be held by a woman is exceeded.
- All 5 Independent Panels meet the target that at least one member is from an ethnic minority background.

The Panel supports the FCA in its objectives of improving diversity in the appointments it makes to all the Independent Panels.

NOTE – These figures are based on the data disclosed. Disclosure of diversity information is voluntary. Data is reported across all Panels where disclosure on an individual Panel basis would lead to the release of personally identifiable information.

Appendix 3: Expenditure

The FCA Board agrees a Budget for Panel members' fees, expenses and any consultancy or research work it commissions. The Panel is supported by a Secretariat of 5 FTE staff.

Actual expenditure in 2023-24 was £265,000.

	Actual April 2021 – March 2022 (£000)	Actual April 2022 – March 2023 (£000)	Actual April 2023 – March 2024 (£000)						
Panel Members' fees and expenses¹	300	269	225						
Other Expenditure²	85	46	40						
Total	385	315	265						
<p>1. The fees exclude employers' National Insurance Contributions paid by the FCA. The fees payable to Panel Members during the year from 1 April 2023 to 31 March 2024 were as follows:</p> <table> <tbody> <tr> <td>Panel Chair</td> <td>£50,000</td> </tr> <tr> <td>Working Group Chair</td> <td>£26,000</td> </tr> <tr> <td>Other Panel members</td> <td>£15,000</td> </tr> </tbody> </table> <p>2. Other expenditure includes recruitment and research.</p>				Panel Chair	£50,000	Working Group Chair	£26,000	Other Panel members	£15,000
Panel Chair	£50,000								
Working Group Chair	£26,000								
Other Panel members	£15,000								

Appendix 4:

Meetings with external stakeholders

Between 1 April 2023 and 31 March 2024, members of the Financial Services Consumer Panel met with the following external bodies:

Citizens Advice

Association of British Insurers

Money Advice Trust

HM Treasury

British Insurers Brokers Association

Home Office

Money and Advice Service

Money and Advice Service Wales

Welsh Government

Treasury Select Committee

UK Finance

Consumer Council for Northern Ireland

Vulnerability Registration Service

Consumer Cash Advisory Panel

David Hulme Institute

National Audit Office

Building Societies Association

University of Bristol Personal Finance Research Centre & Research Institute for Disabled Consumers

Consumer Voice

Community Research

City of London

Scottish Credit Unions

Payment Systems Regulator

Financial Services Compensation Scheme

Financial Ombudsman Service

Age UK

Which?

LEASE

Federation of Small Businesses

Transparency Taskforce

Chairs of Consumer Panels in other sectors

Fair By Design

Money Advice Trust

FCA Small Business Practitioner Panel

Financial Services Complaints Commissioner

Appendix 5

Panel Members' participation in events

May 2023

Citizens Advice: Online event on individual voluntary arrangements
FCA: JROC recommendations for future of Open Banking Webinar

June 2023

FCA: Credit Information Market Study roundtable

July 2023

Treasury Select Committee: evidence session on multi-occupancy buildings insurance
HM Treasury: Crypto workshop on issuance and disclosure
HM Treasury: Crypto workshop on definitions and perimeter

August 2023

FCA: Future of Payment review roundtable
David Hulme Institute: Understanding Scotland's Economy event

September 2023

FCA: Advice and Guidance Boundary Review working group
FCA: Future Regulatory Framework roundtable
Building Societies Association: UK Savings Week Parliamentary Reception
University of Bristol: Findings from research on the financial wellbeing of disabled people in the UK webinar

October 2023

Citizen's Advice: Cost of Living webinar
City of London: The City Dinner at Mansion House
Scottish Credit Unions: roundtable session

November 2023

FCA: affordable credit workshop
Association of British Insurers: 'Support after 50 – wealth, work and care'
Citizens Advice: Cost of Living webinar
HM Treasury: Future of Payments Review launch

Appendix 6:

Publications and responses to consultations

Consultation responses

Date	Consulting body	Consultation Name
April 2023	Financial Conduct Authority	Call for Input: SME access to the Financial Ombudsman Service
April 2023	HM Treasury	Future financial services regulatory regime for cryptoassets
May 2023	Financial Conduct Authority	DP23/2: Updating and improving the UK regime for asset management
June 2023	Financial Conduct Authority & HM Treasury	DP23/3: Review of the Senior Managers and Certification Regime (SM&CR)
June 2023	HM Treasury & Bank of England	The digital pound: A new form of money for households and businesses?
June 2023	Financial Conduct Authority	Multi-occupancy buildings insurance
June 2023	HM Treasury	Future regulatory regime for Environmental, Social, and Governance (ESG) ratings providers
July 2023	HM Treasury	Call for Proposals on which metrics the FCA and the PRA should publish in relation to the new secondary growth and competitiveness objectives.
July 2023	Financial Conduct Authority	CP23/12 Expansion of the Dormant Assets scheme – second phase
July 2023	Financial Conduct Authority	CP23/10: Primary Markets Effectiveness Review

APPENDIX 6: PUBLICATIONS AND RESPONSES TO CONSULTATIONS

July 2023	Solicitors Regulation Authority	Protecting consumers from excessive charges in financial service claims
July 2023	Financial Conduct Authority	CP23/13: Strengthening protections for borrowers in financial difficulty
August 2023	Financial Conduct Authority	PS23/7: Broadening retail access to the long-term asset fund
August 2023	Financial Conduct Authority	GC23/1 guidance on cryptoasset financial promotions
September 2023	Department of Work and Pensions	Helping savers understand their pension choices
September 2023	Department of Work and Pensions	Pension trustee skills, capability and culture: a call for evidence
September 2023	Department of Work and Pensions	Options for Defined Benefit schemes: a call for evidence
September 2023	HM Treasury	Future of Payments Review
September 2023	Financial Conduct Authority	GC23/2: Financial promotions on social media
September 2023	Payment Systems Regulator	CP 23/7: APP fraud: The consumer standard of caution
September 2023	Payment Systems Regulator	CP 23/6: APP fraud: Excess and maximum reimbursement level for FPS and CHAPS
September 2023	Financial Conduct Authority	Draft Rule review Framework
September 2023	HM Treasury	Ban on cold calling for consumer financial services and products
September 2023	Financial Conduct Authority	Engagement Paper 3 – protected forward-looking statements
September 2023	Financial Conduct Authority	Engagement paper 6 – primary multilateral trading facilities
September 2023	Financial Conduct Authority	Engagement paper 1 – admission to trading on a regulated market

September 2023	Financial Conduct Authority	Engagement paper 5 – the public offer platform
September 2023	Financial Conduct Authority	Engagement paper 4 – non-equity securities
October 2023	Payment Systems Regulator	Proposed delay to the implementation of the APP scam reimbursement policy
November 2023	Financial Conduct Authority	CP23/21: Consumer credit – Product Sales Data Reporting
November 2023	HM Treasury	A smarter ring-fencing regime: consultation on near-term reforms
December 2023	Taskforce on Social factors	Considering Social Factors in Pension Scheme Investments
December 2023	Financial Conduct Authority	CP23/20: Diversity and inclusion in the financial sector – working together to drive change
January 2024	HM Treasury	UK Retail Disclosure Framework – Draft SI and Policy Note
January 2024	Financial Conduct Authority	Call for Input: Potential competition impacts from the data asymmetry between Big Tech and firms in financial services
January 2024	Prudential Regulation Authority	DP2/23 – FSCS general insurance limit
January 2024	Financial Conduct Authority	GC23/3: Guidance on the anti-greenwashing rule
January 2024	Financial Ombudsman Service	Strategic plans and budget
February 2024	Payment Systems Regulator	CP23/12: Expanding variable recurring payments - Call for views
February 2024	Financial Conduct Authority	DP23/4: Regulating cryptoassets Phase 1: Stablecoins

APPENDIX 6: PUBLICATIONS AND RESPONSES TO CONSULTATIONS

February 2024	Bank of England	Regulatory regime for systemic payment systems using stablecoins and related service providers
February 2024	Financial Conduct Authority	CP23/29: Access to Cash
February 2024	Financial Conduct Authority	CP23/26: Implementing the Overseas Funds Regime (OFR)
March 2024	Financial Conduct Authority	CP23/28 updating the regime for Money Market Funds
March 2024	Financial Conduct Authority	CP23/28 Primary Markets Effectiveness Review
March 2024	Financial Conduct Authority	DP 23/5 Advice Guidance Boundary Review

Appendix 7:

Panel Members on other bodies in financial services

Bank of England & HM Treasury Central Bank Digital Currency Engagement Forum

Natasha de Terán

FCA Consumer Network

Julie Hunter

Francis McGee

FCA Advice and Guidance Boundary Review Consumer Advisory Group

Francis McGee

Financial Inclusion Commission

Johnny Timpson

FCA Open Banking Future Entity Working Group

Francis McGee

Payment Systems Regulator Panel

Natasha de Terán

The Building Resilient Households Group

Johnny Timpson

UK Finance: Consumer Advisory Group

Helen Charlton

The Group for Autism, Insurance, Investment and Neurodiversity

Johnny Timpson

Fair by Design Vulnerability Forum

Julie Hunter

FCA Disclosures and Labelling Advisory Group

Jonathan Hewitt

The Hargreaves Lansdown Savings and Investment Barometer Board

Johnny Timpson

BIBA Access to Insurance Committee

Johnny Timpson

Trustee and Chair of the Board of Island Advice Centre

Katherine Wilson

Non-Executive Director and Chairman of Boost Digital

Angela Stathi

Appendix 8:

Terms of Reference

1. The Financial Services Consumer Panel ('the Panel') was established by the Financial Conduct Authority ('FCA') under the Financial Services and Markets Act 2000 to represent the interests of consumers.

Scope

2. The Panel represents the interests of all groups of financial services consumers.
3. The Panel provides advice and challenge to the FCA on the extent to which the FCA's general policies and practices are consistent with its general duties, as required under the Financial Services and Markets Act 2000.
4. The Panel focuses on the FCA's strategic and operational objectives, together with the expectations on the FCA to discharge its general functions in a way which promotes competition in the interests of consumers and to have regard to the regulatory principles.
5. The Panel operates independently of the FCA. The emphasis of its work is on activities that are regulated by the FCA, although it may also look at the impact on consumers of activities that are not regulated but are related to the FCA's general duties.

Membership

6. The FCA Board appoints Panel members, with HM Treasury's approval required for the appointment or dismissal of the Chair.
7. The FCA may appoint to the Panel such consumers, or persons representing the interests of consumers, as it considers appropriate.
8. The FCA must secure that membership of the Panel is such as to give a fair degree of representation to those who are using, or are or may be contemplating using, services other than in connection with business carried on by them. Members of the Panel are recruited through a process of open competition and encompass a broad range of relevant expertise and experience. Panel members will normally serve a maximum of two three-year terms.

The Panel's Duties

9. The Panel will:
 - 9.1 Meet regularly and be available for consultation by the FCA on specific high-level issues.
 - 9.2 Be active in bringing to the attention of the FCA issues which are likely to be of significance to consumers.
 - 9.3 Commission such research as it considers necessary in order to help it to fulfil its duties under these terms of reference.
 - 9.4 Request access to information from the FCA which it reasonably requires to carry out its work.
 - 9.5 Request regular access to the FCA Chairman, Board, Chief Executive and senior executives of the FCA.

9.6 Give the FCA sufficient prior warning of new consumer issues that the Panel is putting in the public domain (“no surprises”).

9.7 Maintain the confidentiality of information provided to the Panel by the FCA.

FCA Duties

10. The FCA will:

10.1 Consult the Panel throughout its deliberations on policies and practices that have a consumer impact.

10.2 Consider representations made to it by the Consumer Panel and must from time to time publish in such a manner as it thinks fit, responses to the representations.

10.3 Provide a secretariat to support the Panel to enable it to operate effectively.

10.4 Agree with the Panel an annual budget sufficient for the Panel to fulfil its duties under these terms of reference.

10.5 Provide the Panel with prompt access to all information which the Panel reasonably requires in order to fulfil its duties.

10.6 Give the Panel reasonable access to the FCA Chairman, Board, Chief Executive and senior executives of the FCA.

10.7 Give sufficient prior notice of new consumer issues that the FCA is putting in the public domain (“no surprises”).

Accountability

11. The Panel will publish an annual report on its work, which will be presented to the FCA Board.

12. The Panel may speak out publicly when it wishes to draw attention to matters in the public interest.

13. The Panel will report informally on its work to HM Treasury and other stakeholders.

Financial Services Consumer Panel

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