

REGULATORY INTELLIGENCE

Call for FCA to be required to "have regard" to financial inclusion

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A letter to the economic secretary to HM Treasury has called for the Financial Conduct Authority (FCA) to be required to "have regard" for financial inclusion when the government publishes its final plans for the UK's future financial regulatory framework.

The [letter](#) to John Glen, whose signatories include Legal & General, Mastercard and Phoenix Group, was organised by Fair By Design and the Financial Inclusion Commission.

"At the moment the UK regulator for financial services does not even have to consider, let alone act to address, financial exclusion. All-too often the needs of the most excluded keep falling in between regulator and government," said Martin Coppack, director of Fair By Design.

The government has already added a "have regard" for net zero by 2050 to the remit of the UK's financial regulators.

Fair By Design was set up by the Joseph Rowntree Foundation and Big Society Capital to end the so-called poverty premium faced by low-income households when accessing financial and other services. If, that is, they can access them at all.

Unless the FCA is required to "have regard" to financial inclusion, low-income individuals will continue to be excluded from financial products, said Coppack, who is also a commissioner at the Financial Inclusion Commission.

"Consumer groups find themselves in the unenviable position where they take financial inclusion issues to the Treasury but are asked to prove market failure, but the only organisation able to prove market failure is the regulator. But the regulator is resistant to work on them because they include some kind of social policy intervention, especially when it comes to pricing of risk (insurance and credit), cost to serve (branches) or mandating firms to do something such as implement 'request to pay'.

So, consumer organisations spend years in a Catch-22 situation trying get action.

"With a new 'have regard' to financial inclusion, the FCA would have the remit to plug this gap, collecting the necessary information and taking into consideration the needs of the most excluded when beginning new pieces of work. This does not mean it would be doing social policy," Coppack said.

In September, [research](#) into the poverty premium in insurance, carried out by the Institute of Actuaries and Fair By Design, found that those living in deprived areas paid £300 a year more for a like-for-like policy when insuring their car than those in more affluent neighbourhoods.

Treasury Committee

Coppack recently gave evidence to lawmakers on the Treasury Select Committee. In a briefing paper prepared for MPs and seen by Regulatory Intelligence, Fair By Design expanded on what adding inclusion to the FCA's remit might look like in practice.

A "have regard" for financial inclusion would give the FCA a clear remit to explore inclusion issues routinely and thoroughly across all its work streams. Fair By Design also believes that adding the "have regard" would require the FCA to report regularly to parliament on the state of financial inclusion in the UK, highlighting where it can, and cannot, intervene and signposting what further action the government may need to take.

The FCA already prepares an annual report on the regulatory perimeter for HM Treasury along similar lines.

Ministerial confusion

There appears to be some confusion in government as to whether the FCA already has responsibility for financial inclusion. Giving evidence to the Treasury Select Committee last month, Guy Opperman MP (Con), minister for pensions and financial inclusion at the Department for Work and Pensions, said it did.

Asked by Emma Hardy MP (Lab) for Kingston-upon-Hull West and Hessle, about giving the FCA a "have regard", Opperman said she was missing the point.

"The point is being raised in respect of a 'have regard', but surely you should look at the primary objective. One of the FCA's three primary objectives is consumer duty, and all the matters of financial inclusion should come within consumer duty. The simple point is that the FCA review of consumer duty should take on board — and there is a legitimate criticism if it does not — the issues you are



raising as part of consumer duty. It is a fundamental of what they are doing, of looking after all consumers. If you feel that they are not doing that, their primary objective — which is much more important than a 'have regard' — is not being fulfilled," Opperman [said](#).

Consumer duty is not one of the FCA's primary objectives. The FCA has three, which are to secure an appropriate degree of protection for consumers, to protect and enhance the integrity of the UK financial system, and to promote effective competition in the interests of consumers.

The FCA is introducing a consumer duty, which will take the form of a new principle for firms. Neither this nor the regulator's existing consumer vulnerability guidance will address the issue of exclusion, however.

"Both primarily deal with the treatment and experience of consumers who have access to retail products and not with the accessibility of those products by consumers excluded from those markets. The only way to ensure that low-income or vulnerable consumers can access essential products and services is to give the FCA a clear remit on financial inclusion," Fair By Design said in its briefing note for MPs.

Regulatory Intelligence contacted the Department for Work and Pensions to ask if the minister intended to correct the meeting record (only the person giving evidence can correct a parliamentary record). The department did not respond, but a spokesperson for the Treasury Select Committee said it had received no request to amend the record.

Bank for International Settlements

The letter, with its call for the FCA to "have regard" to financial inclusion, comes at a time when the Bank for International Settlements (BIS) has also called for central banks to embed inclusion in their development and design of central bank digital currencies (CBDC).

In a paper, "[Central Bank Digital Currencies: A new tool in the financial inclusion toolkit?](#)", published on April 12, the authors said that CBDCs would only be successful in boosting financial inclusion "if this goal features prominently in the design from the get-go".

"Many central banks see CBDC as a new tool to tackle some fundamental issues in the existing payments landscape. ... If designed with inclusion in mind, CBDCs form an addition to the policy toolbox to support access to payments and financial services for all," the authors said in the conclusion to their paper.

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