

The Competitiveness Agenda; and why we need to push back on it

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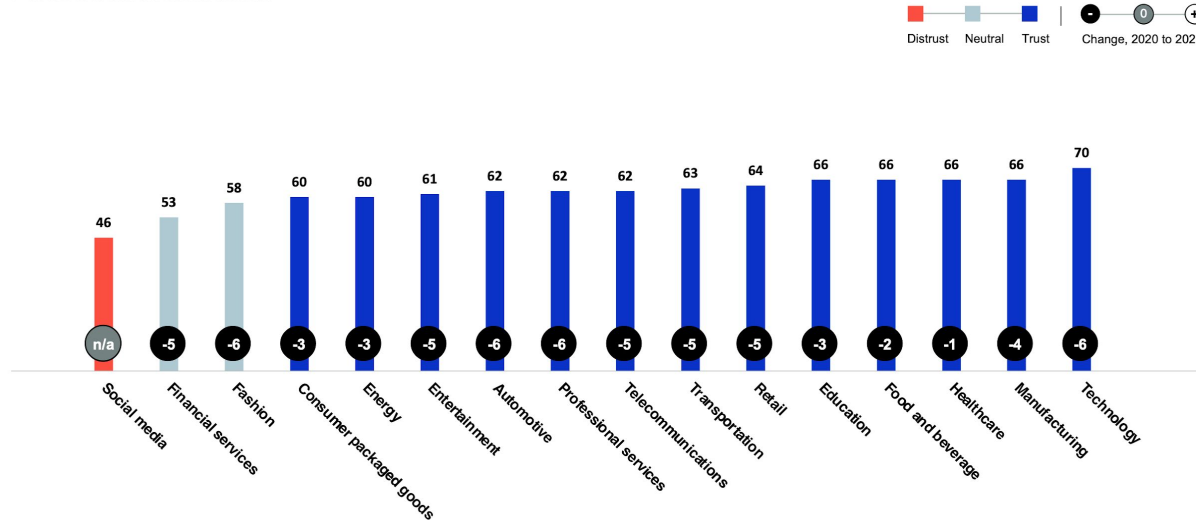
18 January, 2022 - Mark Bishop

TTF response to FRF2: if we define competitiveness correctly, it's a synonym for effective regulation, not an antonym

Consumers distrust the UK's financial services sector

TRUST DECLINES ACROSS SECTORS

Percent trust in each sector

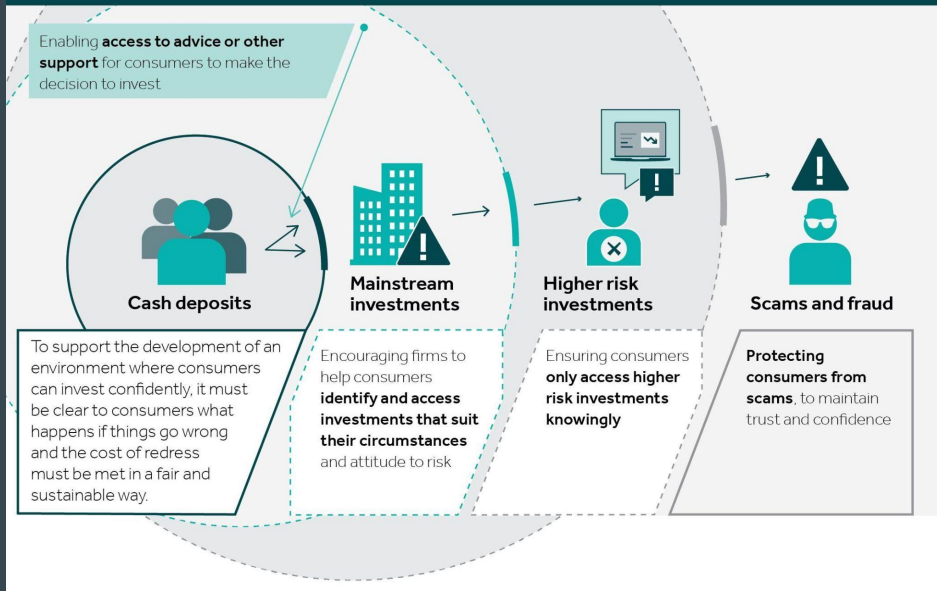


2021 Edelman Trust Barometer. TRU_IND. Please indicate how much you trust businesses in each of the following industries to do what is right. 9-point scale; top 4 box, trust. Industries shown to half of the sample. General population, 27-mkt avg.



The best way regulators can help the industry grow is to do their jobs properly

Creating the right environment for consumers to invest



- **Consumers are losing significant sums of money to investment fraud and scams.** 23,378 consumers reported they lost an estimated £569m to investment fraud from April 2020 to March 2021 - an almost threefold increase since 2018. On average, consumers lost over £24,000 each.
- **Consumers are looking for help in avoiding scams or dealing with their consequences.** We receive approximately 1,400 calls a month related to investment scams. This is double the amount we received in 2016/17 and 23% higher than in 2019. In addition, over 10,000 people visit our ScamSmart site per month on average.
- **Many consumers who might gain from investing currently hold their savings in cash.** There are 15.6 million UK adults with investible assets of £10,000 or more. Of these, 37% hold their assets entirely in cash, and a further 18% hold more than 75% in cash ([Financial Lives Survey - FLS](#)). Over time, these consumers are at risk of having the purchasing power of their money eroded by inflation.
- **Other consumers are investing in higher risk investments, many without realising the risks.** 6% of investors increased their holdings of higher risk investments during the pandemic (FLS). Yet [research conducted for the FCA](#) revealed that there is a lack of awareness of the risks associated with investing, with 45% of non-advised investors failing to recognise that 'losing some money' was a risk of investing.
- **The characteristics of investors are changing, as well as the way they invest.** Younger people are twice as likely to have invested in higher risk investments than adults overall. For example, 44% of cryptocurrencies and 31% of crowdfunding investments are held by people under 34 (FLS). In addition, there is a new, younger, more diverse group of consumers getting involved in higher risk investments. Nearly two thirds (59%) of whom claim a significant investment loss would have a fundamental impact on their current or future lifestyle (BritainThinks).
- **Financial advice is not reaching all parts of the market.** Half of UK adults with £10,000 or more of investible assets (around 8.4 million people) did not receive any formal support to help them make investment decisions over the last 12 months (RDR / FAMR Evaluation). Moreover, only 8% of UK adults received financial advice and only 1.3% of adults made use of online robo-advice.

The three pillars of rebuilding confidence in UK financial conduct regulation

1. Duty of care

- Consumers are compensated by firms that harm them
- Must be enforceable in civil courts, and not just by the FCA
- Proposed Consumer Duty doesn't count, unless accompanied by a PROA
- Live [consultation](#) (deadline 15 Feb)
- TTF event 10 Feb

2. Redress for regulatory failure

- Where consumers lose money due to regulatory failure (unremedied by firm/s), FCA must compensate them
- FCA [consulted](#) on frustrating this further in July 2020; responses and proposals delayed many times (now April 2022)
- Change would transform economic incentives

3. Consumer-centric governance

- [Swift](#) confirmed long-held suspicions that FCA dances to HMT's tune
- [Australian](#)-style oversight body representing consumer interests would remedy this
- TTF's response to FRF2 included proposal for [Financial Regulator's Supervisory Council](#)
- HMT says not needed; we disagree!

Other important measures for rebuilding trust

4. Learning from Swift

- Talks between HMT and FCA must be on the record
- FCA must make contemporaneous written explanations for decisions on Enforcement-related matters

5. Resist HMT 'early look'

- [FRF2P](#) proposes (par 4.36) that HMT would have advanced notice of any new rules being considered by FCA
- Huge risk that captured department will lobby for bank/City interests
- We must oppose this proposal!

6. Cultural change needed

- FRF2P believes (par 5.12) that Parliament can secure expertise through industry and regulator secondments
- This variant on revolving-door hiring can result in corporatist lobbying
- Similar problems with HMT, FCA
- Industry-wide problem must be tackled

Same principles apply to international competitiveness and prudential risk

International dimension

- UK financial services currently locked out of EU
- Brussels refused equivalence-based access due to concerns about conduct regulation
- Dossier supplied by MB provided ammunition
- We need EU consumers to *demand* access to UK financial products
- Better regulation is the key to unlocking this

Prudential regulation must excel

- International counterparties, prospective clients know UK voters won't rescue banks a second time
- Thus more important for PRA to provide rigorous and transparent regulation, so they understand that our banks won't, and can't, fail

The competitiveness gift

- Rent-seeking incumbents lobby politicians and regulators to equate competitiveness *of firms* with competitiveness *of UK as a jurisdiction*
- In short, they seek regulatory laxity as an incentive to stay/move here
- GFC demonstrates insanity of accepting this premise

TTF response: please download;
and amplify our key points

Understanding the problem

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Overview

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Project objective:

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Target audience

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The competition:

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Market trends

Trend 1

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Client Implications:

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Trend 2

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Client Implications:

- Incididunt ut labore et dolore
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Trend analysis

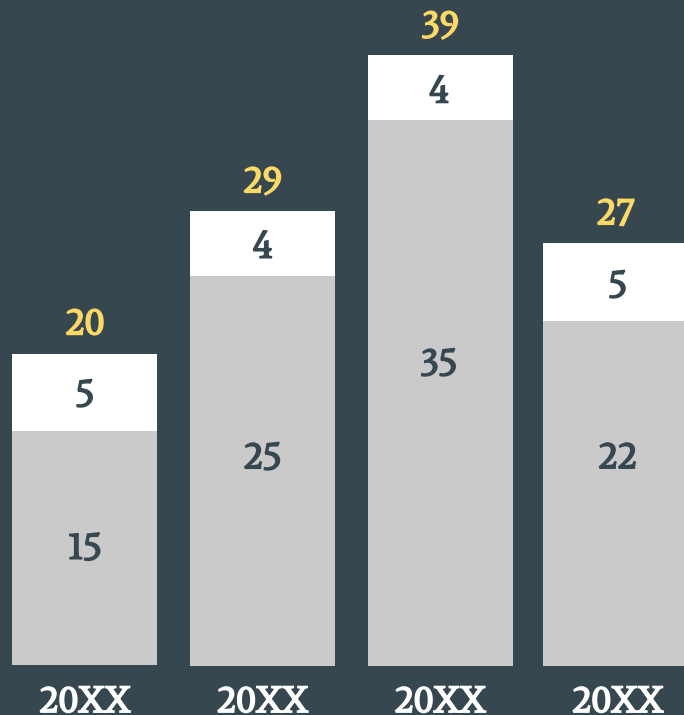
Item 1 
Item 2 

Findings

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Client Implications:

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Proposed deliverables

Deliverable 1

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Deliverable 2

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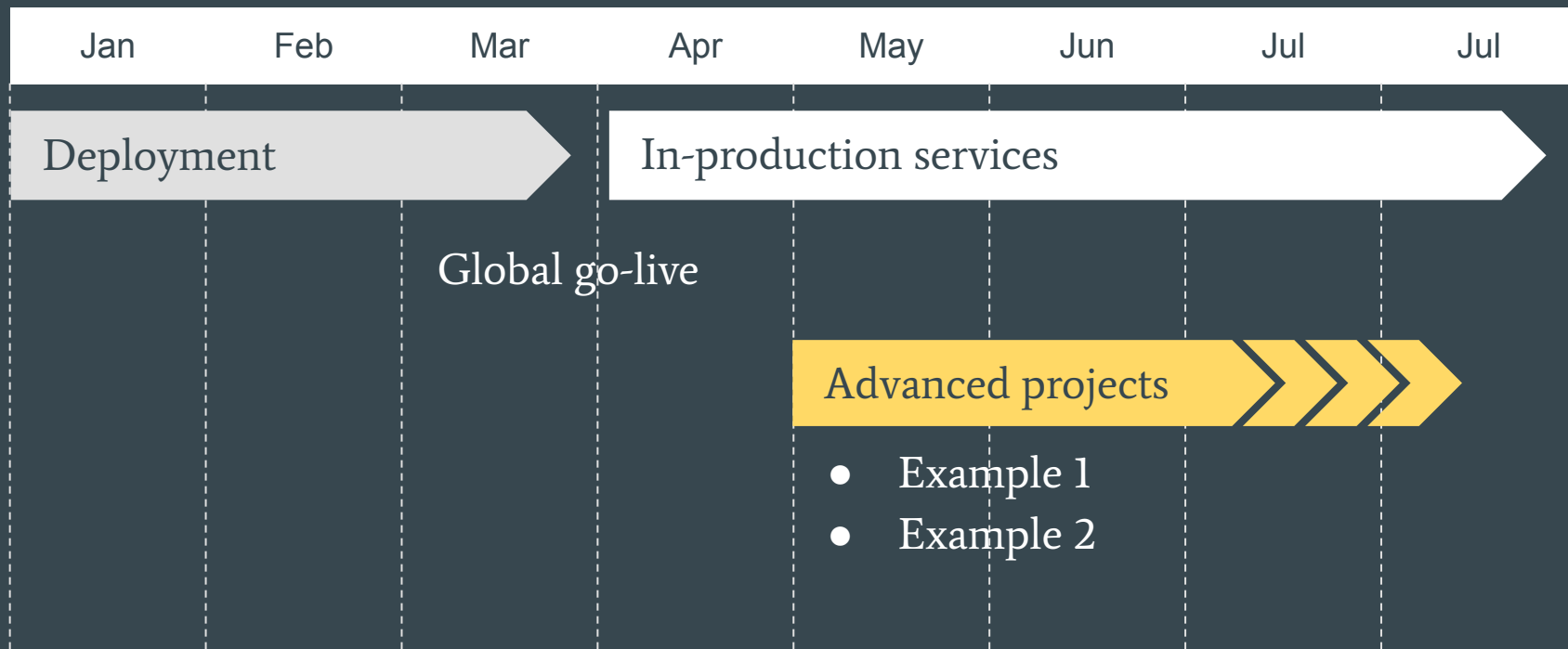
Deliverable 3

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Deliverable 4

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Timeline



The Team



Wendy Writer, CEO

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Ronny Reader, CFO

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Abby Author, CTO

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Berry Books, CPO

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