

PRESS RELEASE

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Brits push back on Government's financial regulation shake-up.

The UK Financial Services industry faces the biggest shake up of regulation in a generation. Still scarred by the global financial crash of 2007/08 that ruined lives and livelihoods for millions, British consumers have sent a clear message to the Government concerning their attempts to focus regulation on making the financial sector more 'internationally competitive'.

Over nine in ten consumers (91%), think international competitiveness should not be a top priority for the new UK financial services regulation and instead, the Government's planned new regulatory framework should focus on the future stability of the financial system, consumer protection and on financial inclusion. This is according to new research released today by the leading industry charity, the Finance Innovation Lab.

The findings coincide with the publication of a joint statement from 37 leading charities and public interest groups in response to the Government's major new proposals for the Financial Services Future Regulatory Framework (See Editors' Notes for full submission). The consultation closes on 9th February.

The regulatory framework review is a once in a generation opportunity to improve the rules that support the UK's financial services sector – and will impact tens of millions of people up and down the country.

Although the signatories support the overarching aims of the proposed new regulations (See Editors' Notes for full details of the new regulations), they share concerns about important aspects of the government's current proposals.

The joint statement makes **six recommendations to strengthen the government's reforms:**

To uphold the effectiveness and global standing of UK finance:

1. **Regulators should not be given statutory objectives to promote the 'international competitiveness' of the industry.** The government's proposal to do so risks eroding the independence and ability of regulators to act in the public interest. Asking regulators to act as a cheerleader for industry will put them in a dangerous 'race to the bottom' with regulators across the globe to water-down standards.

To ensure that the regulators act in the public interest they should be given new duties to:

2. **Align the financial system with the 1.5 degrees goal of the Paris Agreement.** Regulators are failing to address the fact that financial services firms bring about environmental harm. For instance, UK banks and investors are responsible for nearly double the UK's annual carbon emissions and have direct links to rainforest deforestation. Regulators should have a statutory objective that requires them to take action to help achieve the UK's emissions reduction targets and fulfil the Paris Agreement commitments.
3. **Promote financial inclusion.** Despite the UK being a global financial centre, financial exclusion is a serious problem that regulators must take responsibility to address. Around 12 million people in the UK have little options to access credit; over 2 million do not have bank accounts and around 8 million people would struggle in the cashless society we are rapidly moving towards.

To balance new powers for the Regulators and Treasury with increased public accountability and transparency:

4. **Create and resource a new financial services joint committee of parliamentarians to scrutinise legislation and regulation.** Parliamentary scrutiny is necessary for democratically accountable financial sector policymaking. Given the size and importance of the industry, this will require the capacity of a dedicated committee, supported by independent research.
5. **Make lobbying more transparent by creating a new register of lobbyists.** When a lack of transparency over lobbying leads to policy outcomes that only benefit well-funded or well-connected interest groups, millions and even billions of pounds worth of taxpayer's money can be put at risk. It is therefore critical that the UK government develops a policy that provides for transparency regarding lobbying activities in the

finance sector. This will bolster the UK's international reputation for financial integrity, help to combat corruption, and increase public trust.

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6. **Rebalance stakeholder engagement in the regulatory process**, including by requiring 'statutory panels' to consist of a maximum of 50% industry representatives and at least 50% public interest representatives. The government should ensure that the voice of consumers, citizens, and small businesses are given at least equal weight to that of industry so that the interests of big finance lobbyists do not dominate the development of new rules.

Commenting on the government's proposals and the civil society joint statement:

Sir Vince Cable, former Leader of the Liberal Democrats, said:

"Now that the financial crisis is over a decade behind us, banking lobbyists are agitating for a relaxation of the very regulations that are designed to keep our money safe. The 'competitiveness' comeback is particularly mischievous as it will be used to weaken measures such as 'ring fencing', which protects our money from risky activities, and taxes on bank balance sheets, which act as insurance against future bail-outs."

Mick McAteer, Co-Director of The Financial Inclusion Centre and former FCA board member said:

"The proposals as they stand risk compromising the independence and effectiveness of UK financial regulators, which are well respected in global financial centres. A competitiveness objective would conflict with the regulators' main duty which is to act in the public interest and would simply be a Trojan Horse for big finance to lobby for deregulation at the expense of consumer protection."

Jamie Audsley, Head of Future Nature at RSPB, said:

"The proposals miss a golden opportunity to cement the UK's standing as a world leader in green finance. Giving the regulators a statutory objective to take our climate goals into account would be a world first and would help cement the wins of the Glasgow COP. The Review is a great opportunity to make the UK the world's first net zero financial centre and to align finance with the government's climate goals, thereby achieving the Chancellor's vision of 'rewiring the financial system for Net Zero'."

Marloes Nicholls, Head of Policy and Advocacy at the Finance Innovation Lab, said:

"The UK has an opportunity to uphold the global standing of our finance sector by ensuring that future regulation reflects its ultimate purpose – to maximise this critical industry's contribution to our economic, environmental, and social goals. The government could show international leadership by addressing the gross imbalance in stakeholder engagement with financial regulation by public interest groups versus big finance lobbyists."

Ends.

Editors' Notes:

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The Finance Innovation Lab is a UK-based charity working to build a financial system that serves people and planet – one that's democratic, sustainable, just and resilient. We support the growth of

purpose-driven financial institutions, including through Lab Fellowship, the world's first incubator to support financial innovators putting social or environmental purpose at the heart of their work. We work with major UK banks, through strategic partnerships with them and their staff to support greater action on climate change. We also coordinate the Transforming Finance Network of civil society organisations focussed on financial sector policy.

Note 1: The full joint submission will be published on www.financeinnovationlab.org

Note 2: The government's Financial Services Future Regulatory Framework proposals are available [here](#).

Note 3: The research data is based on a survey carried out by Opinium Research. Total sample size was 2,008 adults and the fieldwork was carried out between 25th- 28th January 2022. The figures have been weighted and are representative of all UK adults (aged 18+).

Joint statement signatories:

Balanced Economy Project
Barrow Cadbury Trust
Bright Blue Hare
Centre for Local Economic Strategies
Centre for Responsible Credit
Climate Safe Lending Network
Common Wealth
Ecumenical Council for Corporate Responsibility
EIRIS Foundation
Fair by Design
Financial Inclusion Centre
Financial Inclusion Group North Staffordshire
Finance Innovation Lab
Greenpeace UK
Jubilee Debt Campaign
Macmillan Cancer Support
Make My Money Matter
New Economics Foundation
Positive Money
Responsible Finance
RSPB
ShareAction
Spotlight on Corruption
Stamp Out Poverty
Swoboda Research Centre
Tax Justice Network
Tax Justice UK
The Equality Trust
Tipping Point UK
Transparency International UK
Transparency Task Force
University of Bristol's Personal Finance Research Centre
University of Bristol's Cabot Institute for the Environment
Uplift
Wellbeing Economy Alliance
Wellbeing Economy Alliance Scotland
Women's Budget Group.

