



Andrew Griffith
Economic Secretary to the Treasury
1 Horse Guards Road
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OPEN LETTER TO THE ANDREW GRIFFITH ABOUT A SENSIBLE WAY FORWARD

Friday, October 21st 2022, by Email only.

Dear Mr Griffith,

You may be aware that Mark Steward, Executive Director for Enforcement and Market Oversight at the Financial Conduct Authority, recently resigned from that role. I recently [wrote](#) to Nikhil Rathi about the context surrounding the announcement, making a number of constructive suggestions about how the episode might be leveraged to improve regulatory standards and performance so the UK financial services industry can prosper.

As I set out in that letter, the episode has been acutely embarrassing for the Treasury, which made the mistake of writing to a number of MPs publicly endorsing the FCA's position that it had been unable to intervene to protect Blackmore Bond investors because both Blackmore Bond plc and the mini-bonds it issued were outside the regulatory perimeter. That position was incorrect: the firm marketing the bonds, Aymya Limited, was an appointed representative of an authorised firm, and the promotions issued for the products were approved by another business overseen by the FCA.

As explained in my letter to Nikhil Rathi, the FCA now accepts that the involvement of these entities, and the fact that they were undertaking regulated activities in relation to the mini-bonds issued by Blackmore Bond, *does* give the regulator scope to act, which it now claims to be doing - albeit more than five and a half years too late.

In short, by finally conceding that it has the relevant powers (and, by implication, that it had them all along), the FCA has undermined the Treasury line in front of Members of Parliament by publicly contradicting briefings issued by the latter only a few weeks ago in its ultimately futile

attempt to defend the regulator from legitimate criticism for failing to intervene to protect consumers from what was [clearly a fraudulent product](#). MPs must now be questioning whether HMT knowingly mis-briefed them, and whether it is trying to protect what would appear to be a troubled, and perhaps failing, regulator, when in fact it should be setting out to reform it and hold it to account.

It is this wider issue of the attitude of the Treasury to the FCA that I would like to raise in this letter. In the seven years since I founded Transparency Task Force, which is now by a large margin the largest campaigning group in the sector, it has been my experience that the Treasury's preferred strategy for pursuing its legitimate goal of promoting growth and international expansion of the UK's financial sector has been to deny and downplay any suggestions that financial regulation is not always delivered to an acceptable standard.

I believe that the events outlined above, combined with five recent, damning reports into the FCA's performance (summarised in Section D of our [testimony](#) to the Call for Evidence about the Financial Services and Markets Bill by the Parliamentary Bill Committee) and a slew of further criticism we know is on the horizon) mean that the Treasury's 'Nothing to see here, move along now!' standard response to criticism of the FCA, is now actively harming the reputation of our financial sector, by signalling that Government refuses to acknowledge and address what is clearly a big obstacle to rebuilding the confidence of domestic consumers and foreign regulators and governments in the standards of UK financial regulation.

In our aforementioned submission to the Bill Committee, we set out constructive proposals for three amendments to the FSMB that we believe would both begin the necessary process of restoring trust in financial regulation and create the economic incentives and governance arrangements under which the FCA would evolve into a largely fit for purpose organisation.

We were disappointed not to be called to give verbal testimony to the Committee's two [evidence sessions](#) on 19 October and would welcome an opportunity to do so should a further session be added. We would also like to meet with you, as the Minister now charged with responsibility for the Bill, to discuss our proposals and establish whether the Government might adopt our proposed amendments (or, if not, to seek an explanation for its unwillingness to do so).

It is my intention to publish this letter and updates on your response to it in our weekly *Transparency Times* newsletter, and on social media, and to circulate the same to journalists and politicians. So I would ask you to consider that the time taken to respond, the nature of the response, will all be noted upon by relevant stakeholders.

Transparency Task Force is a 'critical friend' to the FCA. That's a role we take very seriously, because we are cognisant of the [serious harm and suffering](#) caused to innocent members of the public when the FCA fails to provide 'an appropriate degree of consumer protection' as mandated by Parliament.

Please understand therefore that our criticisms of the regulator are well-intended, and that we stand ready to play a constructive part in the process of setting it on a path toward reform, if that is something you are willing to endorse and encourage in your actions as the responsible Minister.

I look forward to hearing from you soon.

A.P. Agathangelou

Andy Agathangelou FRSA

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