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Cc: Treasury Select Committee Members and Guy Opperman MP, Minister for Pensions and Financial Inclusion

### **Financial Services Future Regulatory Framework Review consultation**

Dear Minister,

We are writing to you as the Treasury Minister responsible for Financial Inclusion, regarding the Financial Services Future Regulatory Framework Review.

Everybody should have access to financial products and services that meet their needs over the course of their lifetime. For this to happen effectively the market needs to be able to accommodate the specific needs of people on low incomes and with certain characteristics, such as those with a physical disability or experiencing poor mental health – regularly referred to as consumer vulnerabilities. However, a market has evolved where those who often have the least resource and are most vulnerable:

- struggle to afford, or have to pay extra for, appropriate products and services because they are deemed to be a higher risk/not as desirable to serve;
- are not able to access products and services that meet their needs because they are ‘nonstandard’;
- are excluded altogether.

Markets that are competition-driven will lead to services and products that are competition-driven. In this context, businesses with different groups of consumers are often seen as positive. However, this often results in groups of consumers falling through the cracks and missing out altogether. This should not be the case for essential services. If markets are not structured to serve everybody, with overarching policies and guidance to achieve this, it will follow that services and products will not be designed to serve everybody. Many of the

reasons for people not being included in financial services involve a mixture of regulatory and social policy intervention.

The Financial Conduct Authority (FCA) has a range of powers and tools that it uses to regulate the market. These include its statutory objectives as well as the Treating Customers Fairly outcomes and its Public Sector Equality Duty. Despite all of this, and even taking into consideration the proposed Consumer Duty, there is still no clear duty or cross-cutting '*must have regard*' provision to help tackle financial inclusion. Without this there is no clear statutory requirement for the FCA to address, or even consider, financial inclusion issues across its work.

As a consequence the FCA does not routinely have regard to issues of financial inclusion across all of its work, with many of the most pressing issues falling in between the remits of government and regulator, which makes addressing financial inclusion problems more difficult.

**As part of the Financial Services Future Regulatory Framework Review we urge you to ensure the FCA has a cross-cutting "must have regard" to financial inclusion. This should include a statutory duty to report to Parliament annually on:**

- **the state of financial inclusion in the UK;**
- **measures that the FCA has taken, and is planning to take, in order to advance financial inclusion;**
- **recommended additional measures which could be taken by government and other public bodies to promote financial inclusion.**

This will place a clear remit on the regulator to ensure it routinely and properly explores financial inclusion issues across its work, allowing greater clarity on unintended consequences, the best interventions needed to ensure financial inclusion, as well as who is best placed to act. This will sometimes be the FCA, the government, or a mixture of institutions working together.

Yours sincerely,