



Reg Agenda

May 2024 | BULLETIN

What's inside...

- FCA publishes Borrowers in Financial Difficulty Policy Statement (PS24/2)
- FCA consults on changes to the Financial Crime Guide
- FCA complaints data for second half of 2023



Foreword by

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Target Group
Chief Risk Officer

Welcome to Target's Reg Agenda

Welcome to the latest edition of Target's Reg Agenda.

April 2024 was another busy month in the regulatory world.

The Financial Conduct Authority (FCA) released its highly anticipated policy statement 'PS24/2: Strengthening protections for borrowers in financial difficulty: Consumer Credit and Mortgages'. PS24/2 builds on the Tailored Support Guidance (TSG), which was introduced in response to the COVID-19 pandemic. The changes supersede the TSG by embedding the enhanced protections it provided to consumers (in addition to some new requirements) within the FCA Handbook. The changes will come into force from 4th November 2024, at which point the TSG will be withdrawn.

New research published by the FCA also showed that, while many are struggling to meet financial commitments, the picture has improved slightly from last year. The regulator found 7.4m people were struggling to pay bills and credit repayments in January 2024, down from 10.9 million in January 2023; this is still up from the 5.8 million recorded in February 2020, however, before the cost-of-living crisis began.

In financial crime news, the FCA published a consultation paper (CP24/9) on proposed changes to its Financial Crime Guide (FCG). Tackling financial crime is a priority for the FCA, as underlined in its recent Business Plan, and it is looking to update the FCG to address the harm financial crime causes

to society and the economy. The FCA is consulting to changes in a variety of areas including sanctions, transaction monitoring, cryptoassets and firms' obligations under the Consumer Duty. Comments can be made on the consultation paper until 27th June 2024.

There were several publications released addressing Artificial Intelligence (AI), Big Tech and the digital regulatory landscape. This reflects the ongoing conversations and challenges that emerging technology is driving within the sector, including a feedback statement on data asymmetry between Big Tech firms and financial services firms.

Towards the end of the month, the FCA published its latest complaints data for H2 2023 (1st July – 31st December 2023). The data shows a decrease of 1% in complaints from H1 2023, however the total amount of redress was £259 million, which is a 10% increase on H1 2023 (£236 million).

Finally, we end on two fines: one from the FCA agreeing a settlement to recover funds from alleged unauthorised investments activity, and one from the Information Commissioner's Office (ICO) fining two companies for making aggressive and unwanted marketing calls.

Happy reading!



This month's headlines



General

Target Servicing Ltd accepts no responsibility for any loss or damage of whatever nature arising in any way out of the use of, or inability to use, this bulletin or from any error or omission in information contained in this bulletin.

List of abbreviations used throughout the Reg Agenda:

AI	Artificial Intelligence
AML	Anti-Money Laundering
BoE	Bank of England
CTF	Counter Terrorism Financing
DRCF	Digital Regulation Cooperation Forum
EBA	European Banking Authority
FCA	Financial Conduct Authority
FOS	Financial Ombudsman Service
FSCS	Financial Services Compensation Scheme
ICO	Information Commissioners Office
ICT	Information and Communication Technology
IRSG	International Regulatory Strategy Group
JROC	Joint Regulatory Oversight Committee
NAO	National Audit Office
PRA	Prudential Regulation Authority
PSR	Payment Systems Regulator
OFSI	Office of Financial Sanctions Implementation
TCFD	Task Force on Climate-related Financial Disclosures

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- FCA highlights good practice and improvement areas for appointed representatives
- HM Treasury responds to Treasury Committee report on progress of Edinburgh reforms



Consumer credit

- FCA policy statement on new product sales data return for consumer credit firms



Enforcement

- FCA agrees settlement to recover funds for investors from alleged unauthorised investment activity
- ICO fines two companies for making aggressive and unwanted marketing calls



Data protection

- ICO joins global data protection and privacy enforcement programme
- ICO consults on application of accuracy principle to generative AI
- DBT publishes Smart Data Roadmap



Complaints

- FOS plans and budget for 2024/25
- FCA update on review of motor finance complaints and Dear CEO letter
- FCA complaints data for the second half of 2023



Investments

- New FCA webpage to assist asset managers applying for authorisation
- FCA consults on extending SDR regime to portfolio management firms
- FCA final guidance on anti-greenwashing rules



Financial crime

- FCA consults on changes to Financial Crime Guide



Mortgages

- There are no material updates for the sector this month



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FCA publishes Borrowers in Financial Difficulty Policy Statement

On 10th April 2024, the FCA published its long-awaited Policy Statement titled "PS24/2: Strengthening protections for borrowers in financial difficulty: Consumer credit and mortgages".

The Policy Statement builds upon (and will replace) the Tailored Support Guidance (TSG) introduced during the pandemic. In May 2023, the FCA produced a Consultation Paper (CP23/13) to build aspects of the TSG into the Handbook, as well as to improve the existing framework for customer support.

The final rules remain broadly aligned with the original consultation proposals, however, following stakeholder feedback, 12 changes have been made when compared with the Consultation.

At high level, the rules will require the following from firms:

- ✓ Firms should provide appropriate support to customers in or at risk of payment difficulty
- ✓ There is an increased expectation around customer engagement and providing information including signposting to money and debt advice
- ✓ Firms are expected to consider a range of forbearance measures and take reasonable steps to ensure these measures remain appropriate
- ✓ Consumer Credit firms are expected to take into account the customer's circumstances when providing forbearance, aligning with the rules for mortgage firms

The implementation date for the Policy Statement is 4th November 2024 and the TSG will be withdrawn at the same time.

Further reading

A link to the policy statement can be found [here](#).



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Further reading

The consultation paper can be found [here](#), and the online fees calculator [here](#).

FCA consults on regulatory fees and levies for 2024/25

On 9th April 2024, the FCA published a consultation paper on its regulatory fees and levies for 2024/25 (CP24/6).

The FCA consults on fees and levies to fund itself, as well as the Financial Ombudsman Service (FOS) general levy and levies for the Money and Pensions Service (MaPS), Devolved Authorities and HM Treasury illegal money-lending levies.

Chapters 2, 3 and 4 of CP24/6 set out feedback on the comments the FCA received to Chapter 2 of CP23/22, which set out the FCA's approach to this year's consultation on fee rates.

In CP24/6, the FCA sets out details of proposals concerning:

- ✓ Its annual funding requirement (AFR) and its allocation across fee-blocks. The AFR for 2024/25 is £755 million
- ✓ Periodic fees for authorised firms. The FCA intends to increase minimum and flat rate fees, as well as application fees, in line with the increase in ongoing regulatory activities. It will also resume staged increases for A-block and consumer credit minimum fees

- ✓ Allocating the FOS general levy between industry blocks
- ✓ Consequential changes to rules in the FEES Manual due to the proposals in CP24/6

The draft instrument setting out the changes does not appear to have been published yet.

Firms can assess the impact of the FCA's proposals by using its online fees calculator, which enables firms to estimate their fees for 2024/25.

Call to action

- The deadline for responses to the consultation is 14th May 2024. Feedback and final rules will be published in July 2024

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Further reading

The press release can be found [here](#) and the factsheet [here](#).

ESAs announce launch of voluntary exercise to prepare industry for the next stage of DORA implementation

On 11th April 2024, the Joint Committee of the European Supervisory Authorities (ESAs) published a press release and related factsheet announcing a voluntary dry run exercise to prepare industry for the next stage of implementation of the Regulation on digital operational resilience for the financial sector ((EU) 2022/2554) (DORA).

Under DORA financial entities will, from 2025, be required to maintain registers of information regarding their use of ICT third-party providers.

The dry run will be launched by the ESAs (the EBA, EIOPA and ESMA) in May 2024. It will involve a voluntary exercise for the collection of the registers of information of contractual arrangements on the use of ICT third-party service providers by financial entities. The information will be collected during the dry run from financial entities through their national competent authorities (NCAs).

The exercise will help financial entities to prepare for establishing their register of information and report their registers of information to their respective NCAs, who will then provide them to the ESAs. It will also help financial institutions gather the relevant information specified in the ESAs' final

draft implementing standards (ITS) on the registers of information set out in the final report (JC 2023 85).


Participants in the dry run can expect to receive ESA support to build their register of information in the format as close as possible to the steady-state reporting from 2025, test the reporting process, address data quality issues and improve internal processes and quality of their registers of information.

The ESAs will also provide feedback on data quality to participating entities, return cleaned files with their register of information, organise workshops and respond to FAQ's.

Call to action

- Financial entities will be expected to submit their registers of information to the ESAs through their NCAs between 1st July and 30th August 2024.

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Updated MoU between BoE and FCA: April 2024

On 18th April 2024, HM Treasury published an updated Memorandum of Understanding (MoU) between the Bank of England (BoE) (exercising its prudential functions) and the FCA.

The MoU sets out the high-level framework the PRA and FCA use to co-ordinate and co-operate when carrying out their respective responsibilities. The last version of the MoU was published in July 2019.

The MoU has been updated to reflect reforms and regulatory developments since July 2019, including:

- ✓ Reforms introduced by the Financial Services and Markets Act 2023 (FSMA 2023) including the regulators' secondary objective to support the international competitiveness and growth of the UK economy and the designated activities regime (DAR)
- ✓ The end of the Brexit transition period and the revocation and replacement of assimilated law relating to financial services
- ✓ The establishment of the Financial Services Regulatory Initiatives Forum and the ongoing publication of the Regulatory Initiatives Grid

Further reading

The Memorandum of Understanding be found [here](#).



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Further reading

The proposals can be found [here](#).

JROC proposals for design of future entity for UK open banking

On 19th April 2024, the Joint Regulatory Oversight Committee (JROC) (co-chaired by the FCA and the Payment Systems Regulatory (PSR)) published its proposals for the design of the future entity for UK open banking.

As part of the Retail Banking Market Investigation Order 2017 (CMA Order), the nine largest UK banks and building societies were required to set up and fund a central standard-setting body for open banking. The body is known as the implementation entity and was established as Open Banking Ltd (OBL).

JROC is now setting out its proposals in relation to the centralise entity that will ultimately replace OBL. This 'future entity' will, in time, take on the development and delivery of both CMA Order activities and activities beyond the remit of the CMA Order. It will create a structure that promotes further innovation and functionality in open banking along with consumer protection.

As well as consulting on proposals relating to the future entity, JROC is consulting on proposals around the immediate creation of an 'interim entity'. The interim entity will exist in an interim regulatory phase, before the full transition to the future entity occurs,

along with the implementation of the regulatory framework.

The proposals relate to matters including the following:

- ✓ The structure, governance and purpose of the new entities
- ✓ The funding options for the new entities
- ✓ The respective roles of the new bodies
- ✓ JROC's role

The proposals follow consultation with industry through the Future Entity Working Group, which presented its findings in a report to JROC in December 2023.

The proposals form part of JROC's recommendations for the next phase of open banking in the UK, which it set out in a report published in April 2023, and in an update in December 2023.

Call to action

- Comments can be made on the proposals until 20th May 2024. JROC intends to publish a summary of the feedback, together with its response, in due course.

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FCA speech: Reaping the rewards of investing in women

On 16th April 2024, Sheree Howard, FCA Executive Director of Risk and Compliance Oversight, gave a speech at the PIMFA Women's symposium conference.

Highlights of the speech include the following points:

- ✓ The FCA latest financial lives survey found more women than men are struggling to cope financially
- ✓ To attract and retain women in financial services, the culture needs to work for all
- ✓ Whether parents or policy makers, advisers or consumers, all can play a part in tackling the wealth gap
- ✓ The Advice Guidance Boundary review and the FCA's thematic work on investments advice will help industry to better support investors, including women

The speech notes that, over the longer term, there has been a decline in the share of women employed in the industry, from 51% to 43%, whilst the sector has expanded. This is partly attributed to a reduction in medium and lower skilled roles in which women were more highly represented and the increase in tech roles.

The industry should pivot to attract women to the rewarding mid-level and senior roles.

One of the ways to do this is to make sure the right culture exists so that female talent is:

- Attracted at the start of a career
- Promoted on merit not hard work
- Retained in the industry whatever their life choices

Further reading

The full speech can be found [here](#).



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Further reading

The feedback statement can be found [here](#).

FCA feedback statement: Potential competition impacts from the data asymmetry between Big Tech and firms in financial services

On 22nd April 2024, the FCA published a feedback statement (FS24/1) on the responses received to its November 2023 Call For Input (CFI) on whether data asymmetry between Big Tech firms and financial services firms could influence how effectively competition evolves in financial services markets.

Data asymmetry refers to any occasions when there is a disparity in access to data.

Following setting out the context of the CFI, the FCA notes that, overall, the CFI did not identify significant current effects from data asymmetry between Big Tech firms and financial services firms. However, the CFI did highlight three key issues that could adversely affect how competition evolves in retail finance markets and may become more significant over time, particularly in insurance and credit sectors:

- ✓ Risk of data asymmetry increasing barriers to entry and expansion in financial markets over time contributing to Big Tech firms gaining market power
- ✓ Risk of Big Tech firms' platforms becoming the primary access channel (gatekeeper) for retail financial services in the future

- ✓ Risk of financial services firms' upstream partnerships with Big Tech firms being concentrated and limited bargaining power of financial services firms

The FCA has developed four next steps to address these key issues:

Step 1: Continue monitoring Big Tech firms' activities in financial services (within and outside the regulatory perimeter) to assess whether policy changes are needed to mitigate competition harms.

Step 2: Identification and piloting of 'use cases' to empirically test whether Big Tech firms' data from their core digital activities would be valuable in retail finance markets.

Step 3: If Step 2 finds that Big Tech firms' data is valuable, examine how firms' incentive can be aligned to share data where this is valuable.

Step 4: In the meantime, the FCA and the PSR will work closely together on understanding the risks and opportunities associated with digital wallets.

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Further reading

The AI update can be found [here](#).

FCA responds to government's response to results of AI white paper consultation

On 22nd April 2024, the FCA published its 'AI Update', replying to the government's response to the results of its consultation on its AI white paper.

The government has identified five principles as key to AI regulation in the UK. Its initial guidance for regulators contains guidance on their own implementation. In chapter 3 of its response, the FCA outlines at high-level how some of the key elements of its existing regulatory framework map to each of the five principles.

In chapter 4, the FCA sets out its plans for the coming year, including:

Continuing to further understand AI deployments in UK financial markets:

The FCA is involved in diagnostic work and will re-run, with the BoE, the machine learning survey. It is collaborating with the PSR on AI across system areas

Building on existing foundations:

The FCA may actively consider future adaptations to its regulatory framework, if necessary. The rapid rise of large language models (LLMs) makes regulatory regimes relating to operational resilience, outsourcing and critical third parties (CTPs) even more central to its analysis. These regimes will have increasing relevance

to firms' safe and responsible use of AI

Testing for beneficial AI: the FCA is working within the Digital Regulation Cooperation Forum (DRCF) to deliver the pilot AI and digital hub. It is assessing opportunities to try new types of regulatory engagement and exploring changes to its innovation services that could enable the testing, design, governance and impact of AI technologies in UK financial markets within an AI sandbox

FCA use of AI: The FCA plans to invest more into AI technologies to proactively monitor markets, including for market surveillance purposes. It is exploring potential further use cases involving natural language processing to aid triage decisions, assessing AI to generate synthetic data or using LLMs to analyse and summarise text

Looking to the future: As part of its emerging technology research hub, the FCA takes a proactive approach to understanding emerging technologies and their potential impact. In 2024-25, the DRCF's horizon scanning and emerging technologies workstream will conduct research on deepfakes and simulated content.

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Further reading

The full speech can be found [here](#).

FCA speech on navigating the UK's digital regulation landscape

On 22nd April 2024, the FCA published a speech by Nikhil Rathi, FCA Chief Executive, on navigating the UK's digital regulation landscape.

Points of interest in the speech, delivered at the Digital Regulation Cooperation Forum (DRCF) include:

✓ The EU is establishing a structure under the AI Act from which regulation will be created. In the UK, separate regulations applying to AI are not, for now, being created. Accordingly, it is crucial for regulators to collaborate with each other and with industry. Leading a co-ordinated and effective effort to make the most of the opportunities of Big Tech, while mitigating the risks, will be a priority for the DRCF, of which the FCA is a member and Mr Rathi is the current Chair


✓ Deepening the understanding of the cross-regulatory implications of AI, and how to respond, will form a core part of the work within the DRCF's newly-launched AI and Digital Hub pilot. This is another priority area for the DRCF as outlined in its 2024/25 workplan.

The DRCF hopes the hub will provide a sense of the direction in which technology and industry is heading

✓ From the responses to the DRCF's autumn 2023 call for input, the use, transfer and governance of data is another key industry issue. There are concerns that progress on open banking and open finance has stalled. The regulators want to overcome resistance and push on with leveraging open finance's ability, across sectors, to increase competition and innovation.

There are outstanding issues of trust and transparency around the use of data (which was one of the reasons for creating the DRCF) and also outstanding issues around trust of AI, big Tech and privacy implications. A further DRCF priority is to conduct and publish research on digital identity

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DCRF launches AI and Digital Hub Pilot

On 23rd April 2024, the Digital Regulation Cooperation Forum (DCRF) announced the launch of its pilot advisory service, the 'AI and Digital Hub'.

The plans for the pilot were announced in September 2023 by the DRCF. The DRCF is a multi-regulatory forum made up of the Information Commissioner's Office (ICO), Ofcom, the Competition and Markets Authority and the FCA.

Use of the hub is subject to certain criteria. Developers can ask the hub for advice if their question falls within the remit of at least two DRCF member regulators and their new product, service or business model is:

- ✓ Digital or uses AI
- ✓ Innovative: DRCF says that it will interpret 'innovative' in a broad manner to include new advances and incremental improvements to existing methods
- ✓ Likely to benefit consumers, businesses or the UK economy

DCRF will publish case studies of all queries and responses addressed in the hub. Developers are advised that queries are submitted on this basis.

DCRF says that the case studies will help a wider pool of innovators if demand exceeds the pilot's capacity to respond on an individual basis.

Further reading

The full press release can be found [here](#) and the AI and Digital Hub [here](#).



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Further reading

The webpage can be found [here](#).

FCA highlights good practice and improvement areas for appointed representatives

On 24th April 2024, the FCA published a webpage setting out good practice and areas for improvement for appointed representatives (ARs) and introducer appointed representatives (IARs) undertaking credit broking.

The FCA wants to improve the principal's oversight of their ARs. Having assessed the key risks and drivers of harm caused by ARs and IARs who undertake credit broking, the FCA has provided examples of good practices and areas of improvement it has seen in principal firms' due diligence checks when appointing ARs and their ongoing monitoring of ARs.

The FCA's findings include:

Initial appointment and ongoing oversight of ARs: Firms must have robust procedures, systems and controls to make sure they conduct appropriate due diligence checks on ARs, both on an initial and ongoing basis. Areas for improvement include making enquires with other principals where an AR has been (or is currently) appointed to another principal and not solely relying on automated checks when undertaking background searches on ARs

Ongoing monitoring of ARs: Areas for improvement include firms being more proactive to identify harm caused by their ARs and not only relying on

very limited management information to monitor AR conduct. Principal firms are also expected to monitor websites to ensure compliance of any financial promotions. In addition, the FCA found a potential conflict of interest between persons who were maintaining and developing commercial relationships with ARs, while simultaneously being responsible for a compliance function involving the ongoing monitoring of the ARs

Ending AR relationships: Firms must be clear on when and how to end an AR relationship in line with the requirements in SUP 12.8. The FCA is concerned that some firms did not check an AR's website after termination to ensure it no longer stated that it was an AR of the firm, and some firms were unable to explain their offboarding policy and did not maintain up to date policies and procedures

Call to action

- All principal firms who have ARs should consider the FCA's findings and address any gaps during their initial and ongoing monitoring of ARs. Although the FCA looked at principal firms that introduce consumers to lenders or other brokers to provide finance, firms with ARs conducting other types of regulatory activity will also benefit from considering its findings.



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FCA publishes Borrowers in Financial Difficulty Policy Statement

FCA consults on regulatory fees and levies for 2024/25

ESAs announce launch of voluntary exercise to prepare industry for the next stage of DORA implementation

Updated MoU between BoE and FCA: April 2024

JROC proposals for design of future entity for UK open banking

FCA speech: Reaping the rewards of investing in women

FCA feedback statement: Potential competition impacts from the data asymmetry between Big Tech and firms in financial services

FCA responds to government's response to results of AI white paper consultation

FCA speech on navigating the UK's digital regulation landscape

DCRF launches AI and Digital Hub Pilot

FCA highlights good practice and improvement areas for appointed representatives

HM Treasury responds to Treasury Committee report on progress of Edinburgh reforms

HM Treasury responds to Treasury Committee report on progress of Edinburgh reforms

On 26th April 2024, the House of Commons Treasury Committee published a report containing HM Treasury's detailed response to its December 2023 report on the progress of the Edinburgh reforms.

HM Treasury's response consists of a letter from Bim Afolami, Economic Secretary to the Treasury, with an Annex setting out specific responses to the conclusions reached by the committee in the December 2023 report.

In its report, the committee had criticised aspects of the government's approach to the reforms, concluding that, among other things, certain actions that had been treated as delivered were not yet complete and that certain strands of work should be treated as preparatory work, rather than reforms in their own right.

HM Treasury rejects the criticisms made by the committee, although it acknowledges that more work is needed to deliver all the promises made in respect of the Edinburgh reforms.

The letter is the second formal response to the report. HM Treasury's first response, which took the form of a letter published in February 2024 was very high level and the committee consequently made a formal response for a more detailed reply at an oral evidence session later that month.

The Edinburgh reforms refer to a wide-ranging set of reforms to the financial services sector announced in a statement by the Chancellor of the Exchequer and published by HM Treasury in December 2022.

Further reading

The full report can be found [here](#).



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Data protection

ICO joins global data protection and privacy enforcement programme

ICO consults on application of accuracy principle to generative AI

DBT publishes Smart Data Roadmap

ICO joins global data protection and privacy enforcement programme

On 4th April 2024, the ICO announced it had signed an international multilateral agreement with the Global Cooperation Arrangement for Privacy Enforcement (Global CAPE).

The existing members of Global CAPE are:

- Australia
- Canada
- Japan
- Republic of Korea
- Mexico
- Philippines
- Singapore
- Chinese Taipei
- United States

As part of Global CAPE, members and associate members are able to share information and investigations without needing to enter into separate memorandums of understanding.

'The ICO's association with the Global CAPE is an important step in strengthening our relationship with other countries so we can work together to tackle global data protection and privacy issues.

Personal information of UK people often moves between countries, so it's vital that we work with our key international partners to design solutions that safeguard people's privacy wherever they are based.'

John Edwards
UK ICO Commissioner

Further reading

More information about Global CAPE can be found [here](#).



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Data protection

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ICO consults on application of accuracy principle to generative AI

DBT publishes Smart Data Roadmap

ICO consults on application of accuracy principle to generative AI

On 15th April 2024, the ICO launched a call for evidence on how the UK GDPR's accuracy principle applies to the output of generative AI models and the impact that accurate training data has on that output.

This further consultation and draft chapter is the third in a series focused on developing guidance for the application of data protection law to generative AI.

Draft chapter 3 explains the requirement under Article 5 (1)(d) of the UK GDPR for personal data to be accurate and up to date, and how the accuracy principle should be applied by developers and deployers of generative AI models.

The ICO warns that if the use of inaccurate training data leads to inaccurate outputs and the outputs have consequences for individuals, then it is likely that the developer and the deployer have breached the accuracy principle.

Consequences arising from the spread of misinformation could include damage and distress for anyone to whom the inaccurate data relates and reputational damage for the organisation responsible for that output. That organisation could also be exposed to enforcement action from the ICO and liability for compensation payable to those

individuals who have suffered damage.

Chapter 3 also analyses:

- ✓ When the outputs of generative AI models need to be accurate
- ✓ The link between the specific purpose for which a generative AI model will be used and the need for accuracy
- ✓ How developers can improve their compliance with accuracy responsibilities

Call to action

- The consultation is open until 5pm on 10th May 2024 and the ICO welcomes views from developers, users, legal advisors and consultants as well as public bodies and civil rights groups.

Further reading

The call for evidence can be found [here](#).



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DBT publishes Smart Data Roadmap

DBT publishes Smart Data Roadmap

On 26th April 2024, the Department for Business and Trade (DBT) published 'The Smart Data Roadmap: action the government is taking in 2024 to 2025', setting out how the government will use new powers.

These powers under the Data Protection and Digital Information (DPDI) Bill to identify the challenges and opportunities implanting Smart Data schemes.

Smart Data is a secure way of sharing customer data, upon the customer's request, with authorised third-party providers (ATPs). The customer data can then be enhanced by ATPs with broader, contextual 'business data'.

In the 2023 Autumn Statement, a Smart Data Big Bang was commenced by the government, establishing the UK's ambition for the use of Smart Data powers, created in the DPDI Bill across seven sectors, namely banking, finance, energy and road fuels, telecoms, transport, retail and home-buying.

Each of the sectors will progress through four stages, at their own rate:

Stage 1: Identification

Stage 2: Consultation

Stage 3: Design

Stage 4: Implementation

The Roadmap will operate in parallel to the work of the Smart Data Council to boost simultaneously the Smart Data economy and support industry-led work.

The government will aim to publish a review and progress update on the roll-out of the Smart Data economy in 12 months' time.

To meet the Roadmap objectives, the government has vowed to support the identification and development of new schemes by:

- ✓ Making progress on the DPDI Bill to provide a regulatory framework for future schemes
- ✓ Directing the Smart Data Council in the co-ordination of future Smart Data schemes

Further reading

The Roadmap can be found [here](#).



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FOS plans and budget for 2024/25

FCA update on review of motor finance complaints and Dear CEO letter

FCA complaints data for the second half of 2023

On 4th April 2024, the Financial Ombudsman Service (FOS) published its plans and budget for 2024/25.

Key aspects of the plans and budget for 2024/25 were highlighted in a press release and include:

- ✓ The FOS originally estimated it would receive approximately 181,300 new cases in 2024/25. However, following discussions with businesses and consumer groups, it estimates it will receive approximately 210,000 new cases. The predicted increase is due to several factors, including everyday financial concerns such as unaffordable lending, credit card complaints, fraud and scams. It also reflects motor finance commission cases that are not affected by the FCA's review of historical practices
- ✓ The FOS intends to resolve 17% more cases in 2024/25 than in 2023/24 (from 192,500 to approximately 225,000). This increased workload will be tackled partly by recruiting more case handlers. The FOS is also committed to continued investment in the customer and business digital journey and to expanding its regional presence in the UK to ensure accessibility
- ✓ The FOS will reduce the case fee from £750 to £650, the compulsory jurisdiction (CJ) levy from £106 million to £70 million and the

voluntary jurisdiction levy (VJ) from £0.6 million to £0.5 million

The FOS consulted on its proposed plans and budget for 2024/25 in December 2023. The plans and budget for 2024/25 include a summary of the common or contrasting themes and issues raised by consultation respondents.

Among other things, several stakeholders said they expect to see more complaints involving the FCA's Consumer Duty. The FOS comments that this could be contributing to the rise in banking, consumer credit and insurance cases it is seeing. The FOS will continue to monitor this.

The FOS also adds that, in its consultation, it sought views on the possible exercising of new powers granted under the Financial Services and Markets Act 2023 (FSMA 2023) allowing the FOS to charge claims management companies (CMCs) and other relevant professional representatives.

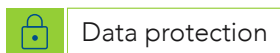
Following positive feedback, the FOS intends to consult on further details in Q1 2024/25.

Further reading

The full plans and budget can be found [here](#).



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FCA update on review of motor finance complaints and Dear CEO letter

FOS plans and budget for 2024/25

FCA update on review of motor finance complaints and Dear CEO letter

FCA complaints data for the second half of 2023

On 12th April 2024, the FCA published a statement providing an update on its review of firms' historical motor finance commission arrangements and sales.

The FCA confirms that the firms involved in the review have engaged constructively. However, many firms are struggling to promptly provide the required data. Reasons for this include data being stored on multiple systems; data being spread between lenders and brokers; and/or not all older relevant records being retained.

As part of the review of the historical use of motor finance discretionary commission arrangements (DCAs), the FCA has observed firms taking different approaches to account for the potential impact of the previous use of DCA on their financial resources. The FCA has therefore written a Dear CEO letter to firms to remind them they must maintain adequate financial resources at all times.

The FCA expects firms to do the following, with immediate effect:

- ✓ Assess the adequacy of their financial resources
- ✓ Ensure the accuracy of financial statements and regulatory reporting
- ✓ Make adequate disclosures to the FCA
- ✓ Make adequate disclosures to group stakeholders if applicable
- ✓ Deal with DCA complaints and subject access request appropriately

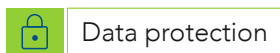
The FCA will set out next steps by 24th September 2024 at the latest and, if necessary, extend its review and the complaint pause currently in place.

Further reading

The full statement can be found [here](#) and the Dear CEO letter [here](#).



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FOS plans and budget for 2024/25

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FCA complaints data for the second half of 2023

FCA complaints data for the second half of 2023

On 25th April 2024, the FCA published a new webpage on complaints data relating to the second half of 2023 (1st July to 31st December 2023 (H2 2023)).

The complaints data webpage links to:

A webpage providing an overview of firm-specific complaints data for H2 2023. This is comprised of submissions from approximately 290 individual firms reporting either 500 or more complaints within a six-month period or 1,000 or more complaints annually. The data is available through sortable tables and includes analysis on the latest trends for each product.

A webpage providing total market-level complaints data for H2 2023. This comprises one or more complaints reported by over 3,000 regulated firms. The data includes details on the total number of opened complaints, closed complaints, complaints upheld, and the total redress paid by firms during the six-month period. By analysing this data, the FCA evaluates firms' treatment of their customers and tracks changes in their performance over time. It also uses this information to guide its supervision of firms and markers and to identify any potential concerns about specific financial products.

On the complaints data webpage, the FCA summarises its findings, comparing them with its complaints data for H1 2023. In H2 2023, firms received 1.87 million complaints, compared to 1.89 million in H1 2023 (a decrease of 1%).

The product groups that experienced an increase in their complaint numbers were:

- banking and credit cards (up 3.2%)
- home finance (up 3.7%)
- investments (up 3.4%)

In H2 2023 the total amount of redress paid was £259 million, which is 10% higher than in H1 2023 (£236 million).

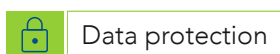
The FCA will publish complaints data for H1 2024 and H2 2024 on 24th October 2024 and 24th April 2025, respectively.

Further reading

The complaints data webpage can be found [here](#).



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FCA policy statement on new product sales data return for consumer credit firms

On 29th April 2024, the FCA published a policy statement (PS24/3) on product sales data (PSD) reporting in consumer credit firms.

PS24/3 summarises the feedback the FCA received on its September 2023 consultation paper (CP23/21) and sets out its final rules and guidance.

The FCA received 42 responses to CP23/21 and states that its final measures have been informed by those and extensive engagement with lenders and trade associations.

It confirms that it is introducing three new PSD returns to collect more granular information about the sale and ongoing performance of consumer credit products. However, following the feedback received and further analysis, it has made some changes to make its rules clearer or more effective.

These include:

- ✓ Raising the threshold for firms to report PSD to it from £500,000 in outstanding balances and/or new advances to £2 million. As this will lead to a reduction in the number of firms that provide it with data for certain high-cost lending products, it intends to retain PSD006 for those firms that fall below the threshold for completing the new PSD returns

- ✓ Respondents were concerned that the proposed timelines for the introduction of PSD reporting were too short and would be difficult to meet. It has therefore extended the implementation period so large firms (£20 million plus) have 14 months to prepare and small firms (£2 million to £20 million) have 20 months
- ✓ It has provided more clarity around data definitions, removed some data elements from the returns and provided additional guidance to support understanding
- ✓ It has increased the overall number of data elements across the three returns to better align with the range of practice across industry and particularly the different types of products offered

The FCA will continue to engage with the industry throughout the implementation period and provide additional support information where appropriate. In addition to implementing the PSD returns, it plans to consult on proposed changes to the activity based-regulatory returns over the next two years.

Further reading

PS24/3 can be found [here](#).

Call to action

- The final rules and guidance are contained in the Consumer Credit (Regulatory Reporting) Instrument 2024 (FCA 2024/17) which is in appendix 1 of PS24/3. The instrument came into force on 1st May 2024.



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New FCA webpage to assist asset managers applying for authorisation

FCA consults on extending SDR regime to portfolio management firms

FCA final guidance on anti-greenwashing rules

New FCA webpage to assist asset managers applying for authorisation

On 15th April 2024, the FCA published a new webpage setting out common errors made by asset managers when applying for authorisation.

The website provides a non-exhaustive list of areas of concern, which have reduced firm's chances of success or caused delays when the FCA determines applications.

The FCA advises firms to avoid common errors including the following:

Senior management lacking experience or qualifications: A number of applicants fail to meet the FCA's expectations in relation to their senior management arrangements. This is typically due to proposed senior managers either lacking the competence and expertise to undertake the functions for which they have applied, or not holding a appropriate level of seniority in the firm.

Non-UK office locations: Sometimes firms appear to misunderstand the 'location of offices' threshold condition. The FCA expects the mind and management of a firm to be in the UK, taking business decisions about portfolios and distribution and effectively overseeing outsourced activities in the UK on a day-to-day basis.

Exposing clients to risk: Although the FCA accepts that all business models pose risk, often applications do not

identify the risks that their business model poses, or adequately consider and evidence how they might remove or mitigate those risks.

Underestimating accountability when outsourcing: In some applications, firms have not considered the relevant rules, the applicant's responsibilities and the impact on their business when outsourcing.

Failing to identify conflicts of interest: Some applicants fail to consider potential conflicts of interest adequately, or at all, in their applications. The FCA notes that it is not for it to identify potential conflicts or the risks of such conflicts to the business. Should it do so, it would raise concerns as to whether the applicant is aware of the risks posed by its business and how to mitigate them.

Avoiding appropriate redress schemes protecting consumers: Some asset managers seek exemption from the FOS and the Financial Services Compensation Scheme (FSCS) when this is not appropriate. This can increase how long it takes the FCA to conclude its assessment.

Call to action

- Firms wishing to operate in the asset management sector should consider the points on the webpage, together with the relevant information for the particular type of firm, before applying for authorisation.

Further reading

The new webpage can be found [here](#).



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New FCA webpage to assist asset managers applying for authorisation

FCA consults on extending SDR regime to portfolio management firms

FCA final guidance on anti-greenwashing rules

FCA consults on extending SDR regime to portfolio management firms

On 23rd April 2024, the FCA published a consultation paper (CP24/8) on extending the sustainability disclosure requirements (SDR) and investments labelling regime to portfolio management firms.

The FCA proposes to apply a broadly similar approach to labelling for portfolio managers as it is introducing for fund managers, to ensure a consistent approach and create a level playing field.

The regime will include:

- ✓ Product labels to help consumers understand what their money is being used for
- ✓ Naming and marketing requirements so products can only be described as having positive outcomes on the environments and/or society when those claims can be backed up

As the regime focuses on delivering outcomes for retail investors, the proposals are primarily aimed at wealth management services for individuals and model portfolios for retail investors.

Firms offering portfolio management services to professional clients can opt into the labelling regime but will not be subject to the naming and marketing requirements and associated disclosures.

The proposed changes to rules are in the draft Sustainability Labelling and Disclosure of Sustainability-Related Financial Information (Portfolio Management) Instrument 2024, which is in Appendix 1 to CP24/8.

On 2nd December 2024

The FCA proposes that the labelling and naming and marketing requirements, and the associated consumer-facing and pre-contractual disclosures, come into force.

By 2nd December 2025

Firms will need to start producing ongoing product-level disclosures one year later. Firms with assets under management (AUM) greater than £50 billion will need to produce entity-level disclosures.

By 2nd December 2026

Firms with AUM greater than £5 billion will need to start producing entity-level disclosures.

Apart from the start date for labelling and the associated disclosures, these dates are consistent with the measures for fund managers.

Call to action

- CP24/8 closes to comments on 14th June 2024. The FCA intends to publish its final rules in the second half of 2024.

Further reading

The consultation paper can be read [here](#).



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FCA final guidance on anti-greenwashing rules

FCA final guidance on anti-greenwashing rules

On 23rd April 2024, the FCA published final guidance (FG24/3) on its new anti-greenwashing rule.

The aim of the guidance is to help firms better understand the FCA's expectations under the anti-greenwashing rule once it comes into force, and other existing, associated requirements when making claims about the sustainability of a product or service.

The FCA consulted on the guidance (GC23/3) in November 2023. It received 69 responses, which were broadly positive. The main areas of feedback related to the examples given and requests for further clarity on the FCA's expectations. This included a call for more examples covering a broader range of sectors, examples of good practice and examples that include social as well as environmental scenarios.

In addition, many respondents asked the FCA to clarify the scope of the anti-greenwashing rule and its interaction with other parts of the FCA handbook.

The FCA has considered the feedback and sets out its finalised guidance in Chapter 2 of FG 24/3. It has included a feedback statement in Chapter 3, which summaries the feedback and its response.

Tackling greenwashing is a regulatory priority for the FCA. The new anti-greenwashing rule under ESG 4.3.1R forms part of a package of measures the FCA will implement through its new sustainability disclosure requirements (SDR) and investments labels regime. The FCA set out its final rules and guidance on the regime in PS23/6 published in November 2023.

The guidance will come into force on 31st May 2024, which is when the anti-greenwashing rule will come into force.

Further reading

The finalised guidance can be read [here](#).



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FCA consults on changes to Financial Crime Guide

On 25th April 2024, the FCA published a consultation paper (CP24/9) on proposed changes to its Financial Crime Guide: A firm's guide to countering financial crime risks (FCG).

Tackling financial crime is a priority for the FCA and it is seeking to help address some of the harm it causes society and the economy by updating the FCG.

The FCA proposes changes relating to the following:

- **Sanctions:** In the light of the conflict in Ukraine, the FCA has conducted extensive assessments of firms' sanctions systems and controls. It proposes to update this section to reflect what it and firms have learnt
- **Proliferation financing (PF):** The FCA is updating the FCG to make sure PF is explicitly referenced throughout it where appropriate, and to highlight a 2022 update to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692) (MLRs) that requires firms to carry out PF risk assessments
- **Transaction monitoring:** the FCA proposes to set out key guidance for firms on how they can implement and monitor transaction monitoring systems and support responsible innovation and new approaches, such as the use of AI

- **Cryptoassets:** Cryptoasset businesses registered under the AMLs have been subject to FCA supervision for anti-money laundering (AML) purposes since June 2020. The FCA proposes to make explicit reference to the fact that cryptoasset businesses should consult the FCG
- **Consumer Duty:** The FCA proposes to make it clear in the FCG that firms should consider whether their systems and controls are proportionate and consistent with their obligation under the Consumer Duty
- **Consequential changes:** The FCA is looking to make consequential changes to the FCG, including replacing expired links, outdated references to EU rules and refreshed case studies drawing from more recent FCA enforcement notices

The proposed changes are in the Financial Crime Guide (Amendment) Instrument 2024, which is in the Appendix to CP24/9. The FCA notes that the changes do not impose any new requirements on firms.

The FCA does not provide a timeframe for publishing a policy statement.

Further reading

The consultation paper can be found [here](#).

Call to action

- Comments can be made until 27th June 2024
- The FCA also welcomes feedback on chapters or areas not addressed in CP24/9 relating to financial crime that the industry considers it should focus on in the future



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FCA agrees settlement to recover funds for investors from alleged unauthorised investment activity

ICO fines two companies for making aggressive and unwanted marketing calls

FCA agrees settlement to recover funds for investors from alleged unauthorised investment activity

On 4th April 2024, the FCA issued a press release announcing it had secured approval in the High Court to recover investor funds linked to alleged unauthorised investment schemes.

The FCA announced in February 2023 that it had commenced proceedings in the High Court against Argento Wealth Ltd, (AWL) an unauthorised firm, and its sole director, to secure restitution because of alleged unauthorised investment activity.

The FCA alleged that AWL unlawfully:

- ✓ Took approximately £2.8 million as deposits under loan agreements or as part of an unauthorised collective investment scheme (CIS) (or both)
- ✓ Arranged investments in EMB Fund Ltd (EMB) totalling about \$9 million, which breached the financial promotion restriction in section 21 of the Financial Services and Markets Act 2000 (FSMA)

The FCA also alleged that AWL's sole director was knowingly concerned in this unlawful activity.

The press release states that AWL and its sole director have not admitted any of the FCA's allegations that led to the proceedings but have agreed to pay money to the FCA intended for the eventual distribution to investors. The High Court has approved a consent order, with the intention that the money is returned to investors in the schemes.

Further court hearings are required to decide how and to whom the funds secured in the agreement are going to be distributed. The FCA adds that this process may take a significant amount of time.

The FCA explains that the settlement agreed is intended to prevent all of AWL's and its sole director's remaining assets from being used up to meet the ongoing legal and living costs. However, despite the settlement, investors will still suffer very significant losses.

Further reading

The full press release can be found [here](#).



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FCA agrees settlement to recover funds for investors from alleged unauthorised investment activity

ICO fines two companies for making aggressive and unwanted marketing calls

ICO fines two companies for making aggressive and unwanted marketing calls

On 24th April 2024, the ICO issued a press release detailing it had fined two companies a total of £340,000 for making aggressive and unwanted calls.

The headlines were:

- ✓ Almost 1.43 millions calls were made over a 13-month period
- ✓ Recipients of calls were on the UK's 'do not call' register
- ✓ There was evidence of elderly and vulnerable people being targeted

The ICO fined Cardiff-based Outsource Strategies Ltd (OSL) £240,000 and London-based Dr Telemarketing Ltd (DRT) £100,000.

The calls were made between 11th February 2021 and 22nd March 2022 and resulted in 76 complaints to the ICO and Telephone Preference Service (TPS). People who complained said the callers were aggressive and used high-pressure sales tactics to persuade them to sign up for products. The ICO investigation also found evidence that both companies were specifically targeting elderly and vulnerable people.

OSL made 1,346,503 unwanted marketing calls. The ICO received 74 complaints from people variously saying they received repeated calls

despite requests to stop and that the callers were aggressive. OSL blamed TPS screening responsibility on its contracted partners and stated it also had internal systems in place to ensure this did not happen. The ICO found this to be incorrect, as 141,914 calls were still made to people marked as 'do not call' on its own systems.

Dr Telemarketing Ltd made 80,240 unwanted marketing call to number registered with the TPS. Two complaints were received, with highly exploitative, unwanted calls all made regarding Lotto Express which were targeted at vulnerable people to maximise profit.

'All the people targeted by these nuisance calls should not have been called in the first place. They had all taken action to protect themselves by registering with the UK's 'do not call' register.

All companies engaging in direct marketing should take note. If you flout the law, you can expect the ICO to use the full force of its regulatory powers against you'.

Andy Curry
ICO Head of Investigations

Further reading

The full press release can be found [here](#).



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Feb 2024	Regulatory Framework for approval of financial promotions
15 Mar 2024	Operational Resilience: CP23/30 Critical Third Parties to the UK financial sector consultation closes
March 2024	Synthetic sterling 3-month LIBOR rate ceases
H1 2024	ESG Governance, Remuneration, Incentives and Training - Feedback Statement
H2 2024	Diversity and Inclusion in Financial Services – Policy Statement
July 2024	Proposed Consumer Duty implementation period ends, and rules and guidance come into force for closed products
4 Nov 2024	Borrowers in Financial Difficulty PS24/2 enters force; Tailored Support Guidance (TSG) is withdrawn
Q4 2024	Evaluation of the persistent debt intervention – Publication
End 2024	Post-implementation review of the Guidance for firms on the fair treatment of vulnerable customers – Final Report
2024	Reviewing the Appointed Representatives (ARs) Regime – Treasury Feedback Statement
2024	Complaints Reporting Review
2024	Ban on cold calling for consumer financial services products
2024	Review of the Senior Managers and Certification Regime (SM&CR) – Consultation Paper
2024	Regulation of Buy Now Pay Later (BNPL)
2024	Second Consumer Credit Act Consultation to be published with more detailed proposals
17 Jan 2025	The EU's Draft Digital Operational Resilience Act (DORA)



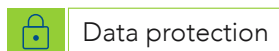
Stay ahead of the risk curve



Regulations evolve and it's hard to stay up to date. With our risk and compliance servicing, you can leave the detail to us, knowing you're in safe hands.



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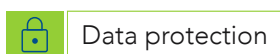
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