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Dear FCA,

Financial Services Consumer Panel response to the Consultation on further proposals for firms operating Public Offer Platforms (POPs)

Whilst we acknowledge that the questions in this consultation paper are not all applicable to the Panel, the consumer voice is critical to this debate as it is financial services consumers who ultimately stand to benefit from, or be harmed by, developments in the POP regime. The Panel also acknowledges that although some policy changes within the new regime for public offers to trading may focus on wholesale products and activities, these will inevitably have an impact on consumers, particularly retail investors.

The Panel welcomes the opportunity to further respond to the FCA's proposals on the implementation of the new POP regime for public offers above £5 million and urges the FCA to evaluate how the proposals presented in this consultation paper either increase or reduce the possibility of harm for consumers.

With this letter, the Panel would like to reiterate the points raised in our previous consultation responses[1] and would like to add some additional comments on the redress, fees, reporting requirements, operation and supervision proposals that were presented in this consultation paper.

[1] https://www.fca.org.uk/panels/consumer-panel/publication/20241018_fscp_response-to-fca-cp-on-the-new-public-offer-platform-regime.pdf, https://www.fca.org.uk/panels/consumer-panel/publication/20231006_final_fscp_response_fca_-engagement_paper_5_-_the_public_offer_platform.pdf

The Panel continues to believe that the new rules will:

- provide better protection for investors by ensuring they receive sufficient and reliable information about investment opportunities, enabling them to make informed decisions and protecting them against fraudulent offers. This is particularly important, as it can be challenging for investors to find publicly available information about the issuer. The Panel continues to believe that the POP regime is likely to provide a greater level of protection to investors than is the case for existing crowdfunding platforms.
- improve transparency and reduce the risk of scams, which should, in turn, increase consumer confidence in the market.
- make it easier and more attractive for small and medium-size businesses to raise capital outside the public market in an effective and efficient way, helping those businesses access a broader investor base that can drive innovation, create value and promote growth in line with the FCA's secondary objective of enhancing international competitiveness and growth.

The Panel supports the framework's focus to:

- safeguard consumers against exposure to scams and fraud by providing consumers with timely and adequate information so that consumers understand the risks of investing. The Panel continues to believe that:
    - investors should have access to adequate, relevant, reliable, sufficient, accurate and high-quality information about the company and the securities that they are considering investing in or have already invested in.
    - POP operators should conduct due diligence checks on issuers and assess the appropriateness of issuers, ensuring that investors can make informed decisions. The Panel agrees that the level of information required from issuers may vary in different cases.
    - POPs should determine whether it is appropriate to facilitate offers to investors based on the information gathered from a given issuer.
- provide consumers with standardised disclosures, such as risks, costs and ESG information enabling better comparison across investment options. The Panel continues to believe that:

  - standardised disclosures should be prominently presented at the early stages of the consumer journey to ensure it is properly understood.
  - introduction of ongoing disclosures will help investors obtain a clear and up-to-date view of their investments.
- allow customers to seek redress through Financial Ombudsman Services. This point is discussed in more detail below.

More specifically and in response to this consultation, the Panel is supportive of:

- the transitional regime proposed as long as robust consumer safeguards are put in place to maintain investor confidence and prevent misuse of temporary permissions. The Panel also recommends that the transitional regime includes an interim reporting mechanism to ensure compliance and protection for consumers during this period.
- the clear and structured application process with a defined window of 3 months as this will minimise delays for consumers to access investment opportunities.
- including POP operations as part of RAG 3 as this will ensure consistency in reporting and regulatory requirements. It will also help the FCA to protect investors through effective oversight.
- the proposal for operating POPs with at least £5m of revenues to submit a Financial Crime Report to the FCA as the latter will promote transparency and protect retail investors from fraudulent activities.
- the proposal to have a clear and accessible complaint reporting framework for consumers that includes access to the Financial Ombudsman Service (FOS) as the latter will bolster consumers' confidence and trust in the new POPs regime. The Panel also suggests that POP operators periodically publish anonymised complaints data to educate consumers and promote accountability.

Specifically on redress:

- As per our previous consultation response, the Panel strongly supports the right of consumers to have access to the Financial Services Compensation Scheme (FSCS).

- The Panel believes that a point worth considering relates to the FOS voluntary jurisdiction, particularly in relation to paragraphs 4.8 and 4.9 of the consultation paper. If the Compulsory Jurisdiction of the

FOS covers the full range of consumer complaints under the new POP regime, then there may be no need to alter the voluntary jurisdiction. However, the consultation paper suggests that the Compulsory Jurisdiction will not comprehensively address all potential consumer complaints under this regime. If this is the case, the Panel challenges the FCA to consider why the Compulsory Jurisdiction cannot be made more comprehensive. If extending the Compulsory Jurisdiction is not feasible, the Panel sees a clear rationale for amending the voluntary jurisdiction to cover the full range of potential complaints, especially if firms choose to sign up to the FOS' Voluntary Jurisdiction. The Panel does not see any significant downside to such an amendment and believes it is an issue that warrants further consideration by both the FCA and FOS.

- The Panel is indifferent of the different categories of eligible complainants however stresses that FCA should monitor and evaluate if any gaps arise that may affect consumer access to redress.

The Panel is supportive of:

- the consequential amendments proposed to the Handbook and non-Handbook guides as they can provide clarity and reinforce the regulatory framework for consumer safeguards.
    - The Panel believes that clear and practical guidance for firms navigating the amendments will help minimise administrative burdens for new entrants allowing firms to prioritise consumer protection. The Panel believes that it could be beneficial to provide illustrative scenarios showing how exemptions may or may not apply to reduce confusion for operators and consumers alike.
- the fee block and industry block proposed as this ensures that consumers have access to dispute resolution services if issues arise with POP operators and allows consumers to be compensated in cases of firm failures.

The Panel continues to advocate for further consumer testing, focusing on information disclosures associated with this regime, prior to its launch. This would ensure consumers receive sufficient and accurate information, which is clear and understandable, to make effective, timely and appropriate decisions.

The Panel also recommends periodic review of the new POP regime based on consumer feedback and measurable outcomes such as reduction in complaints or increased investor confidence.

The Panel acknowledges the FCA’s efforts to measure the success of the new POP regime. However, the Panel notes that the success measures outlined in the consultation paper continues to focus primarily on POP firms, with little reference to consumers.

The Panel considers that the FCA should continue to monitor the operation of the new system and commit to reviewing the regulatory thresholds if there is evidence of consumer harm. This includes active monitoring of associated financial promotions and social media and enforcement action against any violations. The FCA should also regularly take the pulse of the consumer during their investor journey to ensure that they are satisfied with their protections and to test consumer confidence and trust. In addition, the Panel believes that the FCA should take this unique opportunity to build a database of the number and successes of small-business issuers, especially those that support ESG efforts and that are women and minority-owned businesses.

The Panel appreciates the FCA’s efforts in developing the POP regime and looks forward to further engagement on these topics.

Yours sincerely,

Helen Charlton
Chair, Financial Services Consumer Panel