

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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Our ref: CP10/3***

Dear Mr Fray

CP10/3* Effective Corporate Governance**

This is the Financial Services Consumer Panel's response to CP10/3*** Effective Corporate Governance.

The Panel is supportive of the proposals set out in CP10/3***. These measures, together with initiatives being taken forward by other bodies such as the Financial Reporting Council, should ensure that acknowledged shortcomings in corporate governance and risk management within many regulated firms will be addressed. It is of course important that these interventions are proportionate and do not impede the sound recovery of the financial services sector.

To aid this recovery, it is our view that the FSA should take a positive step for consumers by requiring the largest firms to assign responsibility at Board level for the role of consumer advocate or champion, accountable for ensuring that the consumer interest is embedded throughout the organisation and reporting on performance in this area. The Panel would not expect this to be a discrete role – in many ways responsibility could rest fairly easily within the remit of the marketing division of a firm – but care would have to be taken to ensure that firms did not feel that they could 'tick the consumer box' simply by taking this step.

The FSA has been calling for the principle of Treating Customers Fairly (TCF) to become part of the corporate culture of authorised firms. We have always supported this approach and see our proposal as a natural development of that change, with a nominated member of the board taking a proactive role in ensuring that the consumer interest is taken into account in all areas of a firm's business. This would be entirely separate from ensuring that the firm is complying with the principle of TCF, where ultimate responsibility would rest with the member(s) of the senior management team/executive team with compliance oversight.

We also think it would be desirable for a statement included in the annual reports of these large firms setting out which Board member(s) has/have responsibility for consumer issues and the steps that the firm has taken to ensure that TCF has been embedded throughout the organisation.

Finally, in due course the Panel would like to see a review of the effectiveness of the new regime as a whole.

Yours sincerely

Adam Phillips
Chairman
Financial Services Consumer Panel