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Lukas May
Competition Department
Financial Conduct Authority

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Dear Lukas,

Financial Conduct Authority's Project Innovate

The Consumer Panel read with interest the FCA's proposal to support market innovations, 'Project Innovate'.

We understand the drivers for such a project; the financial services sector is undergoing constant change, driven in part by the digital revolution which has seen the advent and growth of mobile banking, virtual currencies, crowd funding, digital money transfer, online investment and so on. We accept that the regulator needs to ensure that innovative products and business models are not inadvertently stifled by regulation, as this could have a negative effect on competition and, ultimately, consumers.

However, innovation must be beneficial to consumers: at a minimum it should deliver products and services people want, and the costs and benefits of complex functionality should be transparent and easily understood by consumers. Before engaging with proposals, the FCA must be satisfied that the innovation will genuinely benefit consumers and that they will be adequately protected. The Panel is happy to advise and provide input into the criteria for engagement. We also have some concerns about the level of engagement. Helping small firms with authorisation is one thing; undertaking joint consumer research, for example, quite another. This begins to look like industry sponsorship rather than regulation, and carries risks of regulatory capture and conflicts of interest.

Yours sincerely

Sue Lewis



Chair, Consumer Panel