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Dear Jacqui

## **GC12/11 Risks to consumers from financial incentives**

This is the Financial Services Consumer Panel's response to GC12/11 Risks to consumers from financial incentives.

The Guidance Consultation usefully documents the misalignment of incentive structures and poor managerial oversight that drive widespread mis-selling in the financial services industry. It is a mark of firms' failures that the FSA finds it necessary to give guidance on good and bad practice, much of which should be self-evident to any successful firm that seeks to act in its customers' interests.

While we think this guidance is helpful, we believe it is essential that the FSA does not fall into the trap of using it as a substitute for swift and effective supervision and enforcement. In its case-study based review of the Conduct Regulation regime<sup>1</sup>, the Panel drew attention to the regulator's past record of procrastination: the production of streams of analysis and guidance combined with inaction that allowed bad industry practices to go unchecked for years. It is thus dispiriting to read that two years after its study of misaligned incentives began the FSA is still undecided whether it should change or strengthen its rules.

The FCA seeks to be a bold, pro-active regulator. It should take action now against financial firms whose incentive schemes are to the detriment of consumers.

Yours sincerely

Adam Phillips  
Chair  
Financial Services Consumer Panel

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<sup>1</sup> "The FSA's Conduct Regulation Regime: A review by the Financial Services Consumer Panel" 30 July 2012 at [www.fs-cp.org.uk](http://www.fs-cp.org.uk)