

Financial Services Strategy
HM Treasury
1 Horse Guards Road
SW1A 2HQ



By email

10 December 2024

Dear Sir/Madam,

Financial Services Growth and Competitiveness Strategy

The FCA Smaller Business Practitioner Panel was established by the Financial Services and Markets Act (as amended) to represent the interests of regulated firms and to provide input to the Financial Conduct Authority (FCA). The Panel provides advice to the FCA on its policies and strategic development of financial services regulation, representing the interest of practitioners of small and medium sized firms.

While we support the objectives of the new Financial Services Growth and Competitiveness Strategy most smaller financial services firms will be, by necessity, primarily focussed on sustainability rather than innovation and growth. Our reflections on the Strategy are particularly relevant to the 'Regulatory Environment' enabler pillar, and to investment objectives.

A combination of ongoing macroeconomic and regulatory pressures is placing significant strain across all sectors and threatening the viability of many smaller firms. In recent years firms have needed to contend with rising operating costs linked to inflation, market instability, pressure meeting FSCS levy commitments and indemnity insurance costs, unscrupulous practices by claims management companies, and reduced profit margins. Many firms are also less confident in their ability to plan ahead, leading to early retirements and a depleting talent pipeline in some sectors such as financial advice.

Within this broad context, the recent Court of Appeal ruling regarding payment of commission on car loans has caused significant concern. Beyond motor finance, the ruling has worrying implications for a broader range of products purchased through credit arranged by credit brokers e.g. intermediated mortgages, general insurance and regulated and non-regulated credit. This regulatory uncertainty is already having impact on investor confidence with examples of firms in the USA, Canada and elsewhere backing out of investing in the UK with reference to this ruling. Should the Supreme Court decide to give permission to appeal there would remain a period of prolonged uncertainty, and while this ruling remains law there is risk that declining investment in the UK could have significant implications for the government's competitiveness and growth ambitions. In our view it is important to take action now to address these medium to longer-term risks.

We would be happy to discuss any of these points further.

Yours faithfully,

[signed]

Andy Mielczarek
Chair, FCA Smaller Business Practitioner Panel