Transcript of Risk Outlook 2014 video

John Griffith-Jones (JGJ): The whole essence of being a good regulator is to prevent things happening rather than coming along afterwards and pointing out that things have gone wrong. And to do that you've got to make some sort of assessment of risk about what is going to happen in the future and that is easy to say and not so easy to do in practice, but that actually is the difference between being a great regulator and merely a regulator.

Christopher Woolard (CW): So a number of the risks you will see in the Risk Outlook are really constants for us, they're going to be there frankly as long as we're regulating financial markets but there are also a number where we reflect some changing circumstances that are happening in the world around us.

JGJ: The key thing is to keep an eye on them, to watch them and to intervene as and when they emerge and move from a potential to an actual threat to the system.

CW: So we look at risks through the lens of three main kinds of developments: firstly, we think about things that we call inherent factors, so the fact that these are things that probably don't change very much so we know that human beings are inclined, particularly when they're dealing with complex financial instruments, to quite often want to use a rule of thumb or a shortcut to try and cut through some of the complexity and that can create risk for consumers.

The second group that we look at are things that are really structural about how markets work so, for example, the fact that there might be conflicts of interest for a firm in the way that it deals with certain customers or clients, and that's set up really be the nature of the industry itself.

And then finally we look at a third group of factors that we call environmental and these really are around things like the way the economy might be developing at any one point in time or the way technology might be developing.

Voiceover: Based on the evidence that we've seen, we have identified seven key forward looking areas of risk that we think have the potential to arise, over time.

- Technological developments may outstrip firms' investment, consumer capabilities and any regulatory response.
- Poor culture and controls in firms could continue to threaten market integrity.
- Large back books may lead firms to act against their existing customers' best interests. Retirement income products and distribution may deliver poor consumer outcomes.

- The growth of consumer credit may lead to consumers taking on unaffordable debt.
- Firms' Terms and Conditions may be excessively complex.
- House price growth at substantial and rapid, may give rise to conduct issues.

JGJ: I think the key point in harnessing everybody's thoughts is to listen through our radar to what's going on in the outside world. The newspapers, the blogs, the consumers themselves are all in their way just as well placed, if not in some cases better placed than us, to spot early the things that are going wrong.