

Meeting: FCA Board
Date of Meeting: 23 and 24 October 2019
Venue: 12 Endeavour Square, London, E20 1JN

Present: Charles Randell (Chair) Catherine Bradley
Andrew Bailey Amelia Fletcher
Sarah Hogg Richard Lloyd
Nick Stace Christopher Woolard
Sam Woods (items 3-17)

In attendance: Set out in Annex A

1 Quorum and declarations of interest

- 1.1 The meeting noted there was a quorum present and proceeded to business. No interests were declared in any of the items to be considered at the meeting.

2 EU Withdrawal

- 2.1 The Board **discussed** the update on EU Withdrawal related matters. It noted the update on the Temporary Permissions Regime and the need to make changes to Handbook rules and guidance via written resolution if an extension to the Article 50 period was not agreed.
- 2.2 The Board was briefed on the proposed consumer communications strategy to target opportunistic scams. It noted that consumer communications were generally most effectively delivered by firms and in partnership with other organisations including the wider regulatory family. The strategy was designed with various levels of activity depending on the severity of the potential harm.
- 2.3 The Board noted the update on the outstanding cliff edge risks. The Board also received an update on an emerging issue regarding cross border insurance and the potential mitigations.

3 Minutes of the FCA Board

- 3.1 The Board suggested a number of minor amendments be made to the minutes of the Board meeting held on 26 September 2019 and requested that the revised minutes be circulated for approval via written procedure.

4 Matters arising

- 4.1 The Board **noted** the progress with the matters arising from previous meetings.
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5 Report from the PRA

- 5.1 The Board **received** an update from Mr Woods on matters relating to the PRA.

6 Report from the Chief Executive

- 6.1 The Board **discussed** the report from Andrew Bailey.
- 6.2 The Board noted the update on Woodford.
- 6.3 The Board discussed some continuing negative cultural issues which were evident in elements of the wholesale insurance sector.
- 6.4 The Board discussed issues around access to cash and in particular those relating to Barclays' withdrawal from the Post Office Banking Framework. It agreed that it was important that consideration was given to how to engage both the FCA and PSR Boards holistically on the access to cash workstreams.
- 6.5 The Board noted that guidance reminding FCA staff about the importance of political impartiality had been circulated to FCA staff ahead of the forthcoming election period and similar advice would be circulated to the Board.

7 Q1 2019/20 'FCA Run' Performance Report

- 7.1 The Board **discussed** the 'FCA Run' Performance Report, specifically the key organisational achievements and risks, the progress against Business Plan and the people and budget summary.
- 7.2 The Board discussed the currently projected overspend both for ongoing regulatory activity (ORA) and also for the Portfolio. The Portfolio overspend had already been reduced by £5.7m and further interventions were planned to ensure that costs were managed during the year. Challenges remained with the volume of change versus budget capacity. The Board noted that work was underway to ensure that proposed projects are more accurately costed when bids are submitted.
- 7.3 The Board noted that that staff turnover was declining and sickness levels had also declined. However, there were heightened levels of staff stretch in some areas of the organisation driven by demand. The Board discussed the challenges of reprioritising resources. It noted that this was now more effective at a divisional level but prioritisation at an organisational level was still work in progress.
- 7.4 The Board thanked the team for their work on revising the report and commented that the Executive Summary was particularly useful in the way it brought out key themes for the Board to consider. It noted that an outcome focussed reporting method was in development which would facilitate strategic decision making.

8 Changes to mortgage responsible lending rules

- 8.1 The Board received an update on the proposed changes to mortgage responsible lending rules following the consultation. It noted that based on data requests, it was estimated that approximately 13-18,000 customers whose mortgages are held by unregulated entities or inactive lenders could benefit from the proposed rules. This is out of an estimated 140,000 of these consumers found in the Mortgage Market Study. The Board asked for a report in due course assessing the success of the changes.
- 8.2 The Board discussed whether the rules should extend to borrowers who were seeking to "downsize" and raised a concern that not allowing this might prevent home owners from being able to purchase a new property that was more appropriate in size. However, the

Board noted that home moves were frequently linked to changes in expenditure, making an affordability test important. It agreed that it would not be appropriate to extend the scope of the proposed rules.

8.3 The Board asked whether eligible consumers could be contacted more quickly but noted that consultation had shown that six months was a realistic timeframe for lenders to be ready to offer products to these customers.

8.4 The Board **agreed** that the mortgage responsible lending rules should be made, including agreeing:

- the definition of eligible borrowers under the new rules;
- the definition of what constitutes a "more affordable" mortgage;
- that the rules should not further specify that lenders must aim to preserve switching options for borrowers in the event of securitising or the loan book being sold; and
- that the rules should require administrators to have a strategy for contacting borrowers potentially able to benefit from the modified rules.

9 Economic downturn – proposed regulatory response

9.1 The Board discussed the proposed regulatory response to an economic downturn. It noted that the five key issues assessed as mostly likely to translate into consumer harm in the event of an economic downturn were creditworthiness, collection practices by credit firms, access to debt advice, consumers crystallising pension losses therefore leading to a permanent lower lifetime income and consumer exposure to inappropriate investment risk.

9.2 The Board discussed the need for regulators to work holistically in the event of a significant number of firm failures to ensure a joined-up response. The Board noted that the wider coordination group for the regulatory family would aid this approach.

9.3 The Board noted that work was in place to enhance internal capabilities and to consider what operating models would enable the FCA to effectively address the potential for consumer detriment in an economic downturn.

9.4 The Board **noted** the proposed regulatory response to an economic downturn including:

- a proactive communications plan to clearly set out expectations about treating customers fairly;
- assertive supervision to identify and address issues with outlier firms;
- policy-based initiatives to enhance the FCA's ability to respond, including working with other government, regulatory and consumer bodies;
- the analysis of consumer resilience to a downturn; and
- the establishment of an oversight group to facilitate ongoing monitoring and a rapid response to issues arising in a downturn.

10 Payments Portfolio Strategy

- 10.1 The Board **discussed** the portfolio supervision strategy for the Payments Department including how it intended to address harms assertively through its action plan and how it intended to measure success.
- 10.2 The strategy's focus was on mitigating and addressing potential harm from e-money and payment firms.
- 10.3 The Board noted the strategy focussed on the three priority areas of prudential risk management, safeguarding and financial crime systems and controls and was being undertaken by a cross organisational team.
- 10.4 The Board asked for regular updates on this issue and asked for a substantive update in Q1 2020-21.

11 Revised scope of Assessing Suitability Review (ASR2) – 2019/20 Business Plan Commitment

- 11.1 The Board noted the rationale behind the proposed revision to the scope of ASR2. This was to align it with the financial advisor portfolio strategy and to focus on a key area of emerging harm not currently addressed by existing supervisory work programme, retirement income advice.
- 11.2 The Board **agreed** the proposed revision to the scope of ASR2.

12 Complaints handling update

- 12.1 The Board **noted** the proposed short-term actions being implemented to address the challenges identified, as well as the overview of the plans to appoint a new Complaints Commissioner following completion of the current Commissioner's second term of office.
- 12.2 The Board asked for an update on progress against the short-term action plan in due course.

13 Rules and Guidance to be determined

- 13.1 The Board **passed** the resolution set out in Annex B.

14 Reports from Chairs of Board Committees

- 14.1 The Board **noted** the report from the Remuneration Committee meeting held on 9 October 2019

15 Monthly Reports from the Independent Panels

- 15.1 The Board **noted** the reports from the Independent Panels and in particular the Panels' comments on the Future of Regulation workstreams.

16 Papers for Noting

- 16.1 The Board **noted** the report on Firm Categorisation Results.
- 16.2 The Board **noted** the report on Risks of non-compliance with GDPR.

16.3 The Board **noted** the report on Open Finance.

17 Any other business

17.1 There being no further business, the meeting closed.

Charles Randell
Chairman

ANNEX A: Attendees

Megan Butler	Director, Supervision – Inv., Wholesale and Specialist (items 6-17)
Jonathan Davidson	Director, Supervision, Retail and Authorisations
Nausicaa Delfas	Director, International
Sheree Howard	Director, Risk and Compliance Oversight
Sean Martin	General Counsel
Georgina Philippou	Chief Operating Officer
Simon Pearce	Company Secretary (items 1-12 & 14-17)
Berenice Seel	Company Secretarial Assistant
Mark Steward	Director, Enforcement and Market Oversight
Beverley Walker	Manager, Board Secretariat

Attending for the following items:

2	Andrew Whyte Lee Foulger Greg Sachrajda Martin Boffey	Director - Communications Head of Department – International Head of Department – International Delivery Head of Department – GCD International
7	Natasha Oakley Vito Capobianco Peter Liddiard	Head of Department - Strategy & Analysis Manager - Operations Manager – R&CO Operational Risk & Risk Review
8	Richard Sutcliffe Sara Woodroffe Keith Hale	Head of Department – Redress & Retail Lending Policy Manager – Mortgage Policy Technical Specialist – Mortgage Policy
9	Graeme McLean Emad Aladhal Jonathan Pearson Robert Westwood	Head of Department – Consumer and Retail Policy Head of Department - CARD Manager – Retail Sector Views Technical Specialist – Retail Sector Views
10	David Geale Maha el-Dimachki James O’Connell	Director – Retail Banking Head of Department – RB Payments Manager – Retail Authorisation
11	Debbie Gupta Andrea Konrath Stephen Humphreys Michael Lawrence	Director – Life Insurance and Financial Advice Acting Head of Department – Sector, Data & Outsourcers Head of Department - Communications Technical Specialist – Sector, Data & Outsourcers
12	Natasha Pesaro	Manager – R&CO

ANNEX B: Resolution

The Board of the Financial Conduct Authority resolved to make the following instruments:

Conduct of Business Sourcebook (Retirement Outcomes Review) (No 2) Instrument 2019 (FCA 2019/91)

Mortgages (Responsible Lending) Instrument 2019 (FCA 2019/92)

Supervision Manual (Reporting No 11) Instrument 2019 (FCA 2019/93)

Fees (Miscellaneous Amendments) (No 14) Instrument 2019 (FCA 2019/94)

The Board hereby approves the making by the Board of the Financial Ombudsman Service Ltd of the following instruments:

Exiting the European Union: Dispute Resolution: Complaints (Amendments) Instrument 2019 (FOS 2019/5)