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Government criticised for refusal to extend financial watchdog's remit

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The government has been criticised for refusing to back a policy that would allow the financial regulator to recommend changes to its remit after the chair of the watchdog warned that regulatory loopholes were being exploited by "bad people".

In a report released in August, the Treasury Select Committee (TSC) had recommended the Financial Conduct Authority (FCA) be given the formal power to recommend changes to regulations in its remit.

But in a response published today, the government declined to adopt TSC's proposals, saying that decisions on the perimeter of regulation "should ultimately be for Ministers, with approval by Parliament."

Catherine McKinnell MP, Interim Chair of the Treasury Committee, said it was "disappointing" that "the government does not see the case for providing a formal power for the FCA to request changes to the perimeter."

McKinnell said that the change would provide "greater transparency to the process" of extending the FCA's regulatory oversight.

Charles Randell, the FCA's chair, had told the TSC he was "personally very unhappy… with the complexity and perimeter of regulation" and it was "not clear to consumers where they leave protection and where they remain within it".

"We have too many hinterlands where they are one foot in and one foot out. This has to stop, because it attracts bad people who wish to exploit those grey areas," Randell added.

The TSC has examined financial scandals that have centered around such "grey areas", including the collapse of mini-bond seller London Capital and Finance and the actions of Royal Bank of Scotland's controversial Global Restructuring Group.

It is understood that the FCA has submitted its own response to the TSC's recommendations, but this has not yet been made public.