

Watchdog frustrated by inaction on new powers

Ben Martin, Senior City Correspondent

October 18 2019, 12:01am, The Times



Andrew Bailey supported recommendations set out by the Treasury select committee

The City regulator has clashed with the government over whether it should be handed broader powers to intervene in risky investment schemes.

[Andrew Bailey](#), chief executive of the Financial Conduct Authority, has backed changes proposed by the Commons Treasury select committee that would allow the watchdog formally to request to oversee products outside its remit, such as high-risk minibonds. However, the government has rejected the proposals.

Scandals involving activities that are beyond the watchdog's reach have exposed the limits of its powers and the grey areas between regulated and unregulated activities. In the case of London Capital & Finance, which collapsed in January, the company was authorised by the City regulator to promote financial products, even though the products themselves — minibonds — were unregulated. London Capital & Finance raised £237 million selling the minibonds to 11,600 private investors, who now face heavy losses after it fell into administration.

The remit, or so-called regulatory perimeter, of the watchdog is set by the Treasury, although the department often informally consults with the regulator about whether there should be changes.

MPs on the Treasury committee in August proposed that the regulator be given a formal power to recommend to the government changes to its regulatory perimeter but the government rejected the plan last week.

In a formal response to the committee's report, Mr Bailey said: "We share the committee's view that there could be a more structured and transparent approach for identifying and engaging with HMT [the Treasury] on perimeter changes. This could allow for a regular opportunity to consider what activities are covered by regulation."

The government had argued in its own response to the committee that decisions about the perimeter "should ultimately be for ministers, with approval by parliament". It said that it took "full responsibility for consulting on and proposing any changes to the perimeter to parliament".

A spokesman for the Treasury said yesterday: "We regularly monitor the system and are engaging with the committee's recommendations on the FCA and the perimeter of regulation."