ALEX BRUMMER: It's time to reshape the FCA that was too slow to see investing crises coming and imposed weak penalties

- **Successive Chancellors have heaped more responsibility on the City regulator**
- **Andrew Bailey should recommend creating a new consumer protection agency**
- **The FCA's predecessor, the FSA proved incompetent in regulating the big banks**

By Alex Brummer for the Daily Mail

Published: 23:00, 26 December 2019 | Updated: 13:03, 30 December 2019

Andrew Bailey leaves big shoes to fill when he departs the Financial Conduct Authority for the Bank of England in March 2020. His years have been fraught with difficulty and he is the target of much consumer anger.

As a multiple victim of the implosion of the Woodford investment funds, facing heavy losses, I can't but think that the response of Bailey and the FCA to early warnings was dilatory and timid. The effort to frame weak enforcement as a product of EU rule-based regulation was disingenuous.

The reaction to Woodford was part of a pattern. The long delay in bringing disciplinary action against senior HBOS executives, deemed responsible for the 2008 bank collapse, dramatically illustrates unacceptable time lags. It is not fair on the executives and shareholders in HBOS and Lloyds Bank and works against the 'public interest', a core FCA duty set by statute.

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Bailey's last act as head of the FCA should be a recommendation to spin-off secondary finance firms into a new Consumer protection agency separate from the FCA

As a regulator, the FCA has proved slow to see crises coming and pitifully leaden in imposing penalties. UK financial firms shudder over discipline when the US Justice Department is on their case but shrug off fear when the FCA is involved.

There are no excuses for the feeble handling of the mini-bond scandal involving London Capital & Finance or the series of peer-to-peer lending failures. Most troubling about such incidents is the illusion of FCA approval of many products because of distribution through reputable brokers.

When in 1997 Gordon Brown created a statutory City and banking regulator the Financial Services Authority – bringing together an array of financial enforcers – it seemed the right thing to do.

But the FSA proved incompetent in regulating the big banks. Inspections were slapdash, it failed to see the dangers of borrowing short and lending long, or the dud assets on bank balance sheets which led to the financial crisis. Returning significant bank regulation to the Bank of England was the right thing to do.

There have been effective interventions in consumer credit protecting the most vulnerable. The FCA's behind-the-scenes work to halt the proposed merger of sub-prime lender Provident with Non-Standard Finance demonstrates that, with willpower, it has the capacity to be decisive.

Over time successive Chancellors have heaped more responsibility on the City regulator. It is expected to monitor the behaviour at HSBC – one of the world's biggest banks – as well as the insurance brokers working out of garage repair shops and funeral directors offering insurance.

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This is in addition to plugging leaks from the Bank of England, probing misdeeds on the London Stock Exchange and monitoring clearing houses handing trillions of pounds a day in derivative contracts.

It makes no sense for global City institutions and backstreet insurance brokers and money shops to fall under the same regulatory umbrella. Neither group receive the attention that they deserve.

Bailey's last act should be a recommendation to the Chancellor and the Treasury Select Committee to spin-off secondary finance firms into a new Consumer protection agency separate from the FCA.

This would then create capacity for the FCA to get on with the big stuff.