

Ministers need to put some pride back into the City watchdog

[Katherine Griffiths](#) TIMES 8 January 2020



When Andrew Bailey took on the top job at the Financial Conduct Authority in 2016, it was after a personal plea from George Osborne, the chancellor, as well as a promise that he would be considered for the governor's job at the Bank of England.

Mr Osborne said then that Mr Bailey would be “tough but fair” and that has been the case. True, there has been anger directed at the regulator — for failures to punish banks for past misdeeds and for being too weak or slow to act on new problems, including losses from peer-to-peer loan companies, the failure of Neil Woodford's funds and the rip-off behaviour of some minibond providers — but overall Mr Bailey has lived up to the former chancellor's promise. A crackdown on sub-prime lending and better regulations and transparency on overdrafts and insurance premiums are among his achievements. Someone equally tough but fair is required to replace him.

That doesn't mean, however, that the Treasury should search for an identikit figure. The FCA regulates almost 60,000 companies. Mr Bailey's replacement should go further in acting decisively against a few bad apples to send a clear message. It means being prepared to bare the watchdog's teeth.

That sounds a bit like shooting first and asking questions later, the gun-slinging attitude that resulted in Martin Wheatley, Mr Bailey's predecessor, coming a cropper. But Mr Wheatley's problem was that such aggression was accompanied by a lack of consistency and clear messaging to the City.

A big advantage for the next FCA boss would be commercial experience. That does not mean finding someone who would be cosy with the City, but a person with a sharp commercial nose who could sniff out problems sprouting in the lightly regulated shadow banking world where minibonds thrived. Alternatively, an asset manager might make sense, as the industry's woeful standards on issues ranging from fees to performance and fund gating need reform.

Then there are the political overloads. The FCA answers to the Treasury, but its boss also has the pleasure of duffings up by MPs on the Treasury select committee. The enhanced profile of that committee since the financial crisis is good, but the government should think carefully about the need at times to provide cover for the regulator, so that it can effectively police its

industry. The powerful position of America's financial regulators in the country's public life may be worth emulating.

Who should be on the list? The most credible insider by a long way is Megan Butler, the FCA's director of supervision and a barrister. Outsiders include Legal & General's chief executive, Nigel Wilson, or chairman, Sir John Kingman. Another option might be Richard Gillingwater, whose experience spans education, energy and asset management. There is also Alison Brittain, the former banker who now runs Whitbread.

Mr Bailey's replacement will spend less time on the problems of the past, although the investigation into HBOS's collapse continues, and more on the future. That will be energising, but the challenges are formidable. Privacy, data and the role of internet giants in the financial sphere are on the list, alongside traditional questions about fairness in pricing and terms, as well as the impact of Brexit.

There is also a need for a strong chief executive. The embarrassing incident of employees defecating on toilet floors and mistreatment of staff reflect an organisation with an insufficiently professional culture.

There are good people at the regulator, but there are also too many poor ones. The new government should think about how to make the FCA a prestigious place to work, as it is for senior bankers to take a turn on the Takeover Panel.

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