Grant Thornton

Your guide to this week in regulation

23 September 2024

Welcome to our weekly round-up for UK financial services regulation. Paul Staples summarises the key announcements and developments. Be sure to subscribe to receive our updates in your inbox every week.

The pace and breadth of regulatory developments picks up this week with a broad range of announcements.

Our leading item will attract the most widespread attention. Price and value is one of the more contentious and challenging areas of the Consumer Duty, so firms will undoubtedly be considering the read-across to their own position.

Elsewhere, we highlight the flurry of Prudential Regulation Authority (PRA) announcements which signal an end to the summer hiatus.

The perennial issue of pensions engagement is revisited in our third item. And elsewhere, as Authorised Push Payment (APP) fraud continues to dominate the headlines, we pick up the latest consultation which aims to strike a balance between consumer harm and widespread industry feedback, including the potential unintended consequences of initial proposals.

Consumer Duty price and value outcome update

The Financial Conduct Authority (FCA) has published insights into the (minimal) good and poor practice it has seen in the first year of price and value outcomes in relation to the Consumer Duty. Key messages for firms include:

- consider price and value as part of the bigger picture, not in isolation
- that target market is considered with appropriately granularity for each of the product and services
- any assertions about cost and benefits should be supported with evidence and appropriate benchmarking
- actions must be identified and taken in relation to risks to customers of not receiving fair value

Firms should consider whether the first efforts of implementing Consumer Duty have anything in common with the practices outlined and take appropriate action if there's any misalignment with the guidance the FCA has provided.

Read more on the Price and value outcome update: good and poor practice

A flurry of PRA consultations

The PRA recently published four consultation papers proposing updates to the UK's regulatory capital framework. Feedback for all four consultations is due by 12 December 2024.

CP7/24 – The Strong and Simple Framework: The simplified capital regime for Small Domestic Deposit Takers (SDDTs)
This proposal introduces a more straightforward and tailored capital regime for SDDTs, aimed at reducing the regulatory burden while maintaining sufficient capital to manage financial risks.
Read more on CP7/24

CP8/24 – Definition of Capital: restatement of CRR requirements in the PRA Rulebook
Relevant to PRA-regulated banks, building societies, investment firms, and holding companies, this consultation focuses on updating the definition of capital in the PRA Rulebook with proportional adjustments.
Read more on CP8/24

CP9/24 – Streamlining the Pillar 2A capital framework and the capital communications process
Relevant to PRA-regulated banks, building societies, investment firms, SDDTs, and holding companies, this consultation aims to simplify the Pillar 2A capital framework and enhance the capital communication process.
Read more on CP9/24

CP10/24 – Updates to the UK policy framework for capital buffers
This consultation targets UK banks, building societies, PRA-designated investment firms, and their qualifying parent undertakings (holding companies), and subsidiaries of these firms, regardless of location. It also affects counterparties with financial contracts governed by third-country law. This consultation aims to streamline buffer regulations, moving them from legislation to PRA policy.
Read more on CP10/24

FCA wants to increase pension engagement

The FCA recently published Occasional Paper 65 (OP65) which sets out the findings from its research into driving pension engagement.

OP65 sought to establish whether customer engagement with their pension was impacted by the timing of a communication. Specifically, the research found that:

- engagement with emails was low, while 42-55% of recipients opened the email, only 1-7% clicked on the 'call-to-action'
- older customers were more likely to engage overall
- following up with those already engaged with their pensions was more promising.

In response to the findings that it's difficult to get customer to engage with pensions via email alone, the FCA has encouraged firms to explore innovative approaches increase engagement. The FCA also highlighted the importance of pre-testing communications to maximise their impact and avoid unintentionally discouraging customers.

Read more on encouraging firms to explore new approaches to increase pension engagement

Read more on Occasional Paper 65: Is timing of the essence?

Authorised push payment fraud

The FCA has published a consultation on proposed changes to the UK's Payment Services Regulations to combat authorised push payments (APP) fraud. The Treasury aims to empower Payment Service Providers (PSPs) to delay transactions when fraud is suspected, balancing the need to prevent fraud while minimising disruptions to legitimate payments. The consultation seeks input on revisions to the Payment Services and Electronic Money approach document, guiding PSPs on handling suspicious transactions efficiently and fairly.

Relevant stakeholders include trade bodies, credit institutions, and consumer groups and the consultation ends on 4 October 2024.

Read more on GC24/5: enabling a risk-based approach to payment processing

Latest Mortgage Charter uptake data

The FCA has published the latest data from firms who have signed up to the Government's Mortgage Charter (the Charter), which suggests that a minimum of around 1.4 million mortgages have benefited from one or more of the options set out in the Charter.

The Charter was introduced in June 2023 and contains commitments over and above FCA requirements, made by mortgage lenders. There are 49 signatories, representing around 90% of the mortgage market. These commitments include:

- not to force a borrower to leave their home without consent, unless in exceptional circumstances, in less than a year from their first missed payment
- to allow customers to lock in a new deal up to six months ahead of the end of a fixed rate deal, and to request a better like-for-like deal up until the new one starts, if one is available
- without assessing affordability, to permit customers who are up to date with their payments to switch to interest-only payments for six months, or to extend their mortgage terms with the option to revert to their original term within six months

Other key findings from the latest data reflect that around 188,000 monthly mortgage payments were reduced as people switched to interest-only payments or extended their term, and around 132,000 mortgages have temporarily reduced monthly payments because of the Mortgage Charter rules.
The FCA will publish quarterly data while it continues to ask firms to report on the Charter uptake. The regulator will use the data to understand how the Charter has been used, and to inform its policy and supervisory approach.

Read more on the Mortgage Charter uptake data from September 2024