

Rt Hon Nicky Morgan MP
Chair of the Treasury Committee
House of Commons
Committee Office
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Dear Nicky

I thought it would be helpful to write to you on the subject of the Financial Services Register ("the Register") following your comments, as reported in the Daily Telegraph of 29 September, that the Committee would raise the issue when the FCA next gives evidence.

Data and Data Quality

We are legally required to establish and maintain a public Register of firms that we regulate. The Register is available through our website and is maintained by the FCA. As our remit has grown (for example, we took on responsibility for 30,000 consumer credit firms), and as individuals have entered and left the financial services industry, so has the number of records it contains. We estimate that it now contains details of around 750,000 firms and individuals who either are, or were at one time, approved. This compares to around 400,000 such records in 2008.

The Register can be a rich source of information for consumers and firms. It contains information on a firm's contact details, the regulated activities for which a firm has permission to provide and whether a firm is covered by the Financial Ombudsman Service and the Financial Services Compensation Scheme (FSCS). However, there is some information that the Register does not contain. For example, because of legal restrictions we do not comment publicly on whether or not we are investigating any firm or individual, save for exceptional circumstances, which means that we do not display on our Register whether or not a person or a firm is under investigation.

While the Register has undoubtedly helped consumers and firms and prevented harm there have been instances when information displayed on the Register has been out of date, for example, as a result of a change in circumstances at a firm. One of my concerns after becoming CEO has been that we overhaul the Register and make it fit for the now larger remit of the FCA.

Firms are required to keep up to date the information they provide to us as part of their authorisation. Every firm is required to check this information and update it promptly if needed. We have introduced several measures to ensure firms are discharging their responsibility for keeping their details up to date. For example, we have introduced an enhancement to the online system available to regulated firms, Connect, whereby if we hold an email address and the firm uses Connect, an annual prompt is emailed to them if there has been no change to their recorded details in the previous 12 months. Furthermore, when firms call our Contact Centre, if there has been no change to recorded contact details for some time, an on-screen message now prompts the Contact Centre to ask firms whether any details have changed. In addition, we are piloting an initiative whereby we conduct a review of new firms to check that the permissions they have, which are displayed on the Register, reflect the firm's business model. We also call new firms one month after they are authorised to ensure they are registered on the Connect system and thus able to keep their details up-to-date.

We are developing proposals to strengthen the regime for the reporting of firm data with the overall objective being to improve the quality and reliability of key pieces of information that consumers and firms rely upon. Alongside a strengthened reporting regime, we are exploring the viability of marking the Register in some way publicly indicate when a firm's information has not been updated within required timeframes. Some of the proposals we are considering would require us to consult and upgrade systems.

We have also taken steps to put new processes in place to ensure information received by the FCA about firms entering administration is promptly acted upon, action which was a direct result of a complaint recently made against the FCA and reported recently in the Telegraph.

More broadly, we are standing up a data programme across the organisation that will review our approach to data quality and data management. This is expected to provide, and then implement, additional recommendations on how we assure and ensure the accuracy of our data, the effectiveness of its use (both internally and externally) and how we publish it, when relevant.

Data accessibility

Improving the accessibility of the Register is a key objective. In early 2019, we plan to provide a free Application Programme Interface (API) from the Register which will allow developers to provide services that can integrate Register data with other data which consumers use. We are currently discussing with a number of interested parties how they would envisage using the data. The advantage of an API is that it allows developers to take the same data set, combine it with other data to which they have access and present a view of it targeted at a particular audience.

In the meantime, we have already made a number of changes to help consumers. This includes an improved search facility to return results irrespective of inclusion or exclusion of certain words such as "The", "Plc" thereby increasing the chances of consumers seeing warnings about clone firms which mimic legitimate firm names but with subtle variations. In July, we made a change to the Register to give more prominence in the header of firm entries when requirements, including suspensions, apply.

Last month we launched a 'Consumer Beta' search function designed to improve access, understanding and accessibility of the Register. It introduces a new facility for users to search for financial advisers on mortgages, pensions, investments and debt near to them. It presents existing key Register data in a clearer and more intuitive layout and seeks to respond to the subject areas about which consumers using the Register most commonly end up calling our Contact Centre. The user interface is more user friendly and in line with search facilities consumers might use on other websites.

The consumer can search using their post code or for a specific firm by name or Firm Reference Number. If using the post code search and selecting the advice category or a combination thereof, the search results will list all firms in distance order away from the consumer's post code. If no advice category is selected, all types will be displayed. We are receiving feedback direct from users of a live system rather than collecting responses from representatives of users and much of it so far has been encouraging. We can respond quickly and, so far, have made seven changes to what we first released. For example, we have filtered the display so that firms who were once authorised but are no longer are not shown except for when a specific search is undertaken.

In bringing greater clarity to the display of Register data we observe that it is bringing a growing awareness of what is already held on the Register, for example, some consumers were unaware that it has been our practice for some years to place onto the Register details of unauthorised businesses who have been conducting business and which should be avoided. In turn, however, this greater clarity is highlighting some issues in data quality. We intend to take the learning from the consumer beta into account in our design of the Directory that will support the extension of the Senior Managers & Certification regime and which I describe below.

Directory

We are extending the Senior Managers & Certification Regime (SM&CR) to the large majority of authorised firms. We wish to encourage a culture where staff at all levels take personal responsibility for their actions and understand who has ultimate and overall responsibility. Firms will need to make sure that their senior managers have clear responsibilities.

Firms themselves will be responsible for assessing the fitness and propriety of their employees and certifying certain individuals whose jobs mean they can still have a significant impact on customers, firms and market integrity.

The implementation of SM&CR will mean some individuals who currently appear on the Register as an approved person will no longer do so. We have received substantial feedback focusing on the value of the FCA maintaining a central, public record of certified employees and other important individuals. We have listened to this feedback and have just concluded a consultation on proposals to introduce a Directory which would make information about those employees publicly available. We are reviewing the feedback to that consultation with a view to making the Directory open for firms to submit data from mid-2019.

One of our aims is to identify those individuals who have been sanctioned or prohibited by the FCA or who are no longer considered to be fit and proper by their firms. These individuals will be clearly marked in the information we make available about individuals to enable them to be easily identifiable. This will help protect consumers when deciding with whom to do business and prospective employers when making their recruitment decisions, helping to tackle the problems around 'rolling-bad apples'.

We are also intending to put in place a series of safeguards to ensure the accuracy of the data on the Directory. There would be clear instructions and data validations to help submitting firms minimise the inclusion of erroneous data from the outset. New reporting rules would mean the FCA could take all appropriate action against firms to ensure they meet their obligations to keep their information up to date, including levying fees or taking enforcement action. The Senior Manager responsible for certifying their staff under the SM&CR would also be responsible for the accuracy of the data provided to the FCA about those individuals. Firms will need to confirm the accuracy of the data where it has not been updated in the last 12 months. Where an adviser is subject to a prohibition or other regulatory sanction, this information will be included on the Directory. The FCA also retains the ability to intervene directly to resolve errors.

As we consider the feedback to the consultation, we will ensure the accuracy and integrity of the data that will be displayed about individuals remains a primary consideration.

Yours Sincerely

Andrew Bailey

Andrew Bailey
Chief Executive