



# Investment Fraud & Fairer Financial Services

## PRESS STATEMENT WITH ATTRIBUTABLE QUOTES FROM PARLIAMENTARIANS

On Tuesday, 26 November, the All-Party Parliamentary Group on Investment Fraud and Fairer Financial Services will publish a hard-hitting report on its Call for Evidence about the Financial Conduct Authority (FCA) at meetings in Parliament.

The Call for Evidence came about because of widespread criticism of the regulator from a range of independent sources, including external reports on the poor handling of the London Capital & Finance, Connaught, Interest Rate Hedging Product and British Steel Pension Scheme scandals.

Bob Blackman CBE MP, Co-Chairman of the All-Party Parliamentary Group (APPG) commented:

*“The Purpose Statement of our APPG is:*

*‘To advocate for the victims of financial misconduct, crimes, scandals, frauds and regulatory failures, by driving positive, progressive, and purposeful reforms that achieve a fair, trusted and just system*

*...where the service providers, regulators and government agencies provide appropriate protection and deliver good outcomes, including redress for historical wrongs.’*

*As such, the conduct and performance of the FCA is of great interest to us. The FCA responded to the excoriating criticism it received about its poor performance by launching a Transformation Programme. Unfortunately, the testimony received by the APPG in response to its Call for Evidence indicates that this programme has been a failure.*

*The FCA’s deep-rooted cultural problems, described so forensically by the series of external reports, are still there; if they weren’t, the FCA’s handling of recent issues such as the Woodford, WealthTec and Philips Trust Corporation scandals would have been satisfactory.*

*The report contains over 380 pages of analysis of the testimony provided by more than 170 individuals who kindly gave evidence. Those who did so included FCA employees, past and present. The report also contains insightful observations by an external panel from academia, consumer advocacy, financial journalism and trading standards.*

*The human suffering caused by regulatory failure is catastrophic. The APPG dedicated its report to the memory of the late Ian Davis (RIP), a former investor in bonds issued by London Capital & Finance plc, an infamous investment scam for which the FCA was heavily criticised.*

*The Government has reasons for concern in that the trust deficit in financial services is acting as a brake on growth, the opposite of what any administration wants for the economy.*

*Whether the FCA should be reformed or replaced is one of the key questions that the independent panel considered at length - their thoughts, and the evidence their thoughts were based on, will be there for everybody to read on 26th November."*

### **Notes to Editors:**

The Report includes comments from various Parliamentarians. Some snippets from those comments are shared here:

#### **From The Lord Fox:**

*"As uncomfortable as it may be for the FCA's leadership team to study the evidence-based critique that has been produced, I do hope it can take the analysis and recommendations as they are intended – as helpful pointers for where reforms are needed."*

#### **From Bambos Charalambous MP:**

*"One thing is certain - it is vital that such an important sector for the UK economy as our financial industry is regulated by an organisation that we can all have trust and confidence in; and it's clear we're a long way away from that at the moment."*

#### **From Ben Lake MP:**

*"The level of financial crime that ordinary people are exposed to these days is totally unacceptable and we know the consequences of it can lead to long term financial and emotional carnage for the innocent individuals unfortunate enough to become victims.*

*Whilst I don't just hold the FCA responsible for this failure to protect, it is a matter of fact that the FCA has a duty through Parliament to provide an appropriate degree of consumer protection."*

#### **From The Lord Sikka:**

*“The APPG’s report on the Financial Conduct Authority pulls no punches; and rightly so. It’s a justifiably hard-hitting critique of the regulator; a regulator that I have been convinced for quite some time to not be fit for purpose. The FCA is complacent, conflicted and captured; and without a major overhaul it will never deliver on the responsibilities Parliament has given it to protect consumers.*

*For all these reasons I am proud to stand behind what is a remarkably detailed, forensic and credible body of work. Well done to all involved, particularly those that stepped forward to give evidence, especially the former and existing FCA employees.”*

**The publicity photos of the Parliamentarians mentioned are available here:**

- Bob Blackman CBE MP: <https://members.parliament.uk/member/4005/portrait>
- The Lord Fox: <https://members.parliament.uk/member/4322/portrait>
- Bambos Charalambous MP: <https://members.parliament.uk/member/4610/portrait>
- Ben Lake MP: <https://members.parliament.uk/member/4630/portrait>
- The Lord Sikka: <https://members.parliament.uk/member/4885/portrait>

**The key findings are:**

- The FCA is widely seen as incompetent
- Its integrity is called into question
- A significant number of respondents believe the FCA sometimes acts in bad faith
- Its treatment of whistleblowers and their evidence is alarming
- There is a defective organisational culture, driven from the top
- Transparency and accountability is lacking
- The FCA’s Transformation Programme has not worked

**The main recommendations are that consideration should be given to:**

- The need for government intervention
- Debating whether the FCA should be abolished or reformed
- The development of a specialist consumer-facing department for scam victims
- The establishment of a Financial Regulators’ Supervisory Council, which would conduct periodic reviews of the operational effectiveness of the FCA
- The removal of the FCA’s immunity from civil liability to consumers

- Putting in place restrictions on whether/when regulators join regulated firms, and vice versa
- Stripping out the fundamental conflicts of interest within the FCA's objectives
- Introduction of a statutory, civilly actionable Duty of Care
- Giving the FCA's Financial Services Consumer Panel a statutory remit and introducing Parliamentary oversight of the appointment of its Chair
- Changing how the FCA is funded
- Overhauling how the FCA's senior leadership team is appointed
- Replacing the FCA's Leadership Team; if it proves necessary
- Carrying out a Royal Commission for radical architectural reform of the regulatory landscape, if all else has failed

### **The biggest report of its kind**

The report summarises and analyses the testimonies of 175 individuals who have engaged with the FCA other than through the normal course of working in the industry. To the best of our knowledge, there has never been a qualitative survey of stakeholder experiences and perceptions of a single UK financial regulator of greater depth or breadth than this.

The body of the report consists of a chapter for each stakeholder group and quotations are hyperlinked to original testimonies. For this reason, the report exists in digital format only as a printed version would be difficult to navigate and run to more than 1000 pages.

### **Creation of question sets**

Question sets designed to create insights to help inform the APPG's inquiry were created through working with representatives from the following stakeholder groups:

- Victims of alleged pension and investment scams
- Victims of alleged bank misconduct toward SMEs
- Victims of alleged misconduct from payment institutions, and other non-investment scams
- Mortgage prisoners
- Whistleblowers
- Other stakeholders
- Current and former FCA employees

### **About the late Ian Davis (RIP)**

The report is dedicated to the memory of the late Ian Davis (RIP). His testimony about the FCA is [here](#), and the Early Day Motion about his suicide is [here](#).

## The Panellists

The following Recommendations Panel members were recruited:

### Roger Mullin



Roger is a former member of Parliament for Kirkcaldy and Cowdenbeath. During his period as an MP, Roger was a treasury spokesperson and led a range of Parliamentary campaigns for greater transparency and ethics in the financial system. He succeeded in moving the UK government to hold an inquiry and make some all too modest changes to Scottish Limited Partnerships which continue to be a vehicle for international criminality and money laundering. His Parliamentary campaigning on SLPs is discussed in Oliver Bullough's book 'Butler To The World'. He continues the fight.

Roger has written on the need to tackle the culture of financial institutions including banks, addressing in particular failings in ethics. He has written on such matters for the likes of International Banker, The Herald and The National.

Roger is also an Honorary Professor at the University of Stirling, where he has lectured on ethical finance as part of the university's MSc in Strategic Sustainable Business. He has also taught Applied Decision Theory and related ethical questions on a range of post graduate programmes. He is a former chair of the university's joint departmental research ethics committee in which capacity he undertook ethical reviews of research proposals.

### Louise Baxter-Scott MBE



Louise graduated with a law degree in 2001. In 2002 she started work for Trading Standards. By 2009 Louise was a Senior Manager and took over as Chair of the Chartered Trading Standards Institutes (CTSI) Consumer Empowerment Alliance. Louise is the CTSI's Lead Officer for advice and education and is currently the Immediate Past Chair of CTSI and Non-Executive Director on the CTSI Board. She currently sits as a panel member on the Phone-Paid Services Authority Consumer Panel and the Government Joint Fraud Taskforce.

In 2011 Louise got frustrated by the system in relation to support of scam victims and started what is now the National Trading Standards Scams Team. Since this time Louise has led the National Trading Standards Scams Team. In 2015 Louise was given a Heroes Award in recognition of the significant contribution she has made to consumer protection. In 2017 Louise was awarded a fellowship and an MBE for Protecting Vulnerable Consumers from Financial Abuse.

Louise has a particular focus on protecting consumers and changing the perception of consumer vulnerability.

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### Dr. Nicholas Morris



Dr Nicholas Morris is an Adjunct Professor at La Trobe Law School, Melbourne; and a Visiting Professor at the China Executive Leadership Academy, Pudong, China and the Hindu University of Indonesia. Previous academic posts include Adjunct Professor at UNSW Law and Justice, Sydney; Visiting Fellow at Balliol College and The Martin School, Oxford; Fellow at University of Melbourne; and Visiting Professor at City University Business School, London.

Nicholas has over 40 years of experience advising companies, governments and international agencies, in the UK, Australia, Europe, China, SE Asia and the Middle East, on financial regulation, health and social support systems, and the financing of essential infrastructure. In recent years he has focused on regulatory and other reforms needed for sustainable development, in both developed and developing countries.

Nicholas also led a team at Oxford to examine how the trustworthiness of the financial system could be improved, after the Global Financial Crisis, which led to the book 'Capital Failure: Rebuilding Trust in Financial Services' (Oxford University Press, 2014, 2016). More recently he has published 'Management and Regulation of Pension Schemes: Australia: A Cautionary Tale' (Routledge, 2018).

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### Dr. Kara Tan Bhala



Dr. Kara Tan Bhala is an award winning author and the President and Founder of Seven Pillars Institute for Global Finance and Ethics, USA, the world's only independent think tank for research, education, and promotion of financial ethics. From 2015-2021 Dr. Tan Bhala was an Honorary Research Fellow at Queen Mary University of London. For 18 years she ran her own international financial markets consulting firm. Dr. Tan Bhala has a rare combination of professional training and extensive experience in both global finance and moral philosophy. She

has nearly thirty years of experience in global finance, much of which was gained through working on Wall Street. She has been a sell-side equity analyst, a sell-side equity sales person, a buy-side equity analyst, and a portfolio manager. She was a lecturer at the University of Kansas School of Business, USA, where she taught Global Finance and Ethics. Dr. Tan Bhala has five degrees across three disciplines: a Bachelor's (City University of London, UK) and Masters (Oxford University, UK) in Business, a Masters in Liberal Studies (New York University, USA), and a Masters and PhD in Philosophy (University of Kansas,

USA). She is a member of the Council on Foreign Relations, USA, and the Royal Society of Asian Affairs, UK.

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### David Pitt-Watson



David Pitt-Watson is a leading thinker, campaigner and practitioner in the field of responsible investment.

He was co-founder and former CEO of Hermes Focus Funds and Equity Ownership Service. These became the largest responsible investment group of any institutional fund manager in the world. The business he founded now has \$1 trillion under advice.

During his career he has been deeply involved in policy and has led numerous initiatives to improve the performance of the financial system. For example he chaired the UN Environment Programme's Finance Initiative in the run up to the Paris Climate Conference.

He has led the RSA's Tomorrow's Investor programme. This has included advocating for a more effective system for providing pensions which deliver a lifetime income—established in the 2020 Pensions Bill. He also led the advocacy for transparency of charging structures for pensions.

He was Visiting Pembroke Professor, and now a Fellow at Cambridge University. His books have been translated into five languages. He was an independent non-executive at KPMG, Treasurer of Oxfam and chaired the NESTA endowment fund.

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### Professor David Llewellyn



David Llewellyn is Emeritus Professor of Money and Banking at Loughborough University. He has previously worked as an economist in Unilever (Rotterdam), HM Treasury (London) and the International Monetary Fund (Washington). Much of his research and publications has focussed on financial regulation and consumer protection and he was appointed a Public Interest Director of the Personal Investment Authority (the previous UK regulator of retail investment companies), and for five years was the Chair of the European Banking Authority's Banking Stakeholder Group. He has served as a consultant to several financial regulatory authorities including the South African Reserve Bank. He has been a strong supporter of mutuality in the financial system. He has written

several books and many articles on finance, the financial system and its regulation. His most recent book investigates financial exclusion.



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### Associate Professor Andy Schmulow



Associate Professor Andy Schmulow is an Australian legal academic specialising in financial system regulation, specifically Twin Peaks. His focus is on driving good conduct towards consumers and combatting regulatory capture. His advice has been sought by, among others, the Australian Banking Royal Commission, the Australian Law Reform Commission, the South African National Treasury, the Korean Insurance Association, the New Zealand Law Reform Commission, regulators, central banks and parliamentarians.

His advice has been reflected in recommendations made by those bodies and in legislation such as the *Financial Regulator Assessment Authority Bill* in Australia and the *Conduct of Financial Institutions Bill* in South Africa. He was tasked by CGAP, a division of the World Bank, to lead in the creation of the world's first consumer-outcomes indicator framework, to measure consumer financial well-being, first in South Africa, and ultimately for deployment in countries comprising some 1.5 billion consumers. He consults with the financial industry on embracing and embedding fair treatment of consumers, and his research has been published in some of the world's leading peer-reviewed journals. He has held honorary positions at various universities around the world and is a member of a research cluster at the European Banking Institute. He is admitted to practice in South Africa and Australia.

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### Dr. Louise Ashley



Dr Louise Ashley is a senior lecturer at Queen Mary University of London and a Fellow of its Institute for Humanities and Social Sciences. She specialises in researching diversity and inclusion in large multinational organisations and 'elite' occupations with a particular focus on social mobility and class. Dr Ashley has published articles in leading academic journals and her research has been widely covered in media, both in the UK and internationally. Her recently published book, *Highly Discriminating: Why the City isn't Fair and Diversity Doesn't Work*, explores why City firms generate class and gender inequalities, how they benefit, and what they can do in response.

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### Jack Gilbert



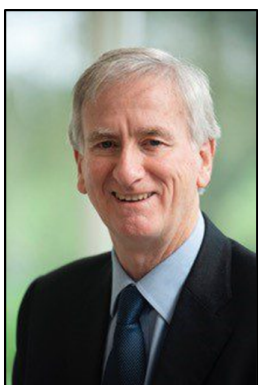
Jack Gilbert is a journalist at international financial publishers Citywire where he is currently editor of its publication for financial advisers in the UK, Citywire New Model Adviser. During his career he has won various industry awards, including Headlinemoney's



B2B journalist of the year in 2017 and 2020. Jack's reporting has included investigations into various financial scandals, most notably he featured prominently in BBC Panorama's 2022 hour-long documentary, The Billion-Pound Savings Scandal. He has also written for various other publications including Private Eye.

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## John Howard



John Howard joined the BBC as one of the leading voices on Radio 4. He presented documentaries, phone-ins and discussion programmes, winning several awards. He became best known as the consumer's champion on the daily magazine programme 'You and Yours', which he presented for 14 years.

In 1997 he was invited to join the Mortgage Code Compliance Board as an independent director. He subsequently became a member of the Financial Services Consumer Panel, which he chaired for 3 years until 2008.

Between 2006 and 2008 he was a member of the Market Participants Group of CESR, the European committee of securities regulators, and he also joined the Treasury's Retail Financial Services Group. On stepping down from the Consumer Panel, he joined the Board of the Financial Ombudsman Service and also became a Non-Executive Director of the energy Regulator, Ofgem.

In 2010 he was appointed as an Independent Commissioner by the Treasury for the Equitable Life Payments Commission. He served on the With Profits Committee and the Independent Governance Committee of Scottish Widows. He was a Trustee of the Thalidomide Trust. He was Vice Chair and Senior Independent Director of the Family Building Society and a Non-Executive Director of the Banking Competition Remedies Company. He is Chief Executive of the company he founded, Consumer Insights, which provides advice on principles based regulation and fairness in the financial, energy and water sectors.

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## Rachel Neale



Rachel is the lead campaigner for [UK Mortgage Prisoners](#). She first became involved with mortgage prisoners when she was asked to be filmed for the Panorama documentary 'Trapped by my mortgage'. From then she began to lead the campaign through the Facebook group. Her mortgage is held with Landmark.

She has worked hard to bring change to those that are trapped after the 2008 financial crash and now work with different organisations to bring mortgage prisoners support for mental health and debt. She

works on case studies against those unregulated firms and banks that treat their members unfairly.

She is the chair on the committee at Marcus Parker for the group litigation. They have helped set up the APPG for Mortgage Prisoners in Parliament and work closely to bring legislation change.

Rachel also sits as a stakeholder for UK Mortgage Prisoners on the solutions group as a spokesperson. She has spoken in Parliament at the mortgage prisoners debate held on 6th June 2020.

#### **Further information:**

- For general information on All-Party Parliamentary Groups see here:  
<https://www.parliament.uk/about/mps-and-lords/members/apg/>
- The APPG's website is here:  
<https://www.appgiffs.org/>
- The APPG's Officers and Members are shown here:  
<https://www.appgiffs.org/about-us/members>
- For any queries, in the first instance please contact Andy Agathangelou, Chair, Secretariat Committee to the APPG:  
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