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Andrew Bailey

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Background -

(A) TSC : March 2015 - Conduct and competition in SME lending

Para . 171. The jurisdiction of the FOS is determined by FCA rules. In response to a recommendation of the Parliamentary Commission on Banking Standards (PCBS) the FCA committed to consult on an expansion of the FOS.

172. Regulation has, in many cases, failed to prevent mis-selling. Dispute resolution services such as the Financial Ombudsman Service (FOS)—can provide a means of redress to bank customers when things go wrong. The existence of the FOS has, overall, been positive for both banks and their customers. It provides a means of independent, affordable and effective dispute resolution through which to challenge a bank's decision making.

173. There is a risk that a wider remit and the greater complexity of SME cases could greatly increase the workload of the FOS and overburden it. This could be detrimental to existing users of the FOS. However, it is clear that there is a group of small businesses which are too large to be covered by the FOS but too small to be able to afford to challenge their bank in court effectively. Such businesses are often unable to challenge poor decision making by banks or to seek redress when their banks treat them badly, even when their case is valid. It is not acceptable that these businesses should be denied adequate redress or that banks should, as it appears, be permitted to game the system to avoid responsibility for their actions.

174. Bearing in mind the risk identified above, the FCA consultation on the scope of the FOS, prompted by the Parliamentary Commission on Banking Standards, should also consider how this gap in coverage can be closed, and, as a matter of urgency, report to Parliament their conclusions.

(B) FCA response to TSC Report

Access to the Financial Ombudsman Service

5.1 The mis-selling of IRHPs raised the question of whether access to the Financial Ombudsman Service (FOS) should be extended to a larger share of the SME population, as the relative lack of sophistication within many small businesses poses a risk of mis-selling, and yet many businesses may face challenges taking firms to court and are ineligible to complain to the FOS.

5.2 The Parliamentary Commission on Banking Standards (PCBS) recommended that the FCA should consult on options for widening access to the FOS for small businesses. We agreed with the Commission that it may be useful to broaden access to the FOS more generally and at the time proposed to consult on the issue. The Report reiterates this recommendation, suggesting that 'the FCA consultation on the scope of the FOS, prompted by the PCBS, should also consider how this gap in coverage can be closed, and, as a matter of urgency, report to Parliament their conclusions' (Paragraph 174).

5.3 This summer we will publish a discussion paper which reviews the level of protection and redress SMEs can expect from the FCA's regime, as users of financial services. The paper is the first stage of seeking views on the issue of widening the jurisdiction of the FOS. The paper also considers the protections afforded to SMEs by Rules throughout our Handbook and by our Principles.

5.4 This is a complex subject, and one on which there is little evidence readily available. In light of this and the range of information we are requesting, we will be extending our usual consultation period and are allowing a substantial period for responses. We intend to provide feedback on the responses received later this year, and will then consult on any changes to our Rules.

**(C) FCA - Our approach to SMEs as users of financial services
November 2015 Discussion Paper DP15/7**

Extract - Summary of this document

1.10 In recent years, our work has revealed that some firms' SME clients may experience poor outcomes across a wide range of scenarios, including some high-impact cases of detriment such as the mis-selling of interest-rate hedging products (IRHPs). In this document we seek evidence and views on whether our rules should provide SMEs with greater protections, including access to the ombudsman service, thus treating them more like individual consumers.

1.16 We would also like you to consider some more specific options available to us. We want to know whether more SMEs should be eligible to complain to the ombudsman service and be covered by our complaints handling rules, and whether some rules applying to firms' dealings with individual consumers should also cover SME clients, or cover a greater share of SMEs than they currently do. We are also exploring options to further harmonise the application of our rules to firms' dealings with SMEs, or clarify it by issuing guidance. Finally, we want to know how proportionate such changes would be and whether they would risk reducing SMEs' access to financial services, or the level of choice and service they could expect.

As we approach **a decade since the Financial crisis in 2007 /2008** can you set out in detail what concrete actions the FCA have taken since for SMEs, including after considering the responses to this Discussion Paper in March 2016. Please set these out as

(1A) Those within FCA control (and perhaps the FOS) and implemented
And

(1B) Those within FCA control and subject to timed implementation plan in the future.

AND

(2A) Those which have been the subject of Government legislation and support since the TSC report on 10 March 2015

And

(2B) Those which the FCA Board believe still require action by HM Government and within this Parliament.

Your response should be comprehensive and realistically assume part or all may become widely known in the public interest in the coming year.

Copy House of Commons Treasury Select Committee Chair - Rt Hon.
Nicky Morgan MP
FOS Financial Ombudsman and Chief Executive - Caroline
Wayman

Please acknowledge receipt of my letter.

Yours Sincerely

A handwritten signature in black ink that reads "Jim Shannon". The signature is written in a cursive style. The word "Shannon" is written over a light grey rectangular background.

Jim SHANNON MP
Member of Parliament
Democratic Unionist Party
Strangford Constituency