

## Question Set G

### For current and former Financial Conduct Authority employees

#### Your Details

Name:

REDACTED

Company/Business (if applicable):

REDACTED

Address including postcode:

REDACTED

Email address (preferably non-FCA):

REDACTED

Mobile telephone number:

REDACTED

#### Permissions

- o Do you give permission that your name is put into the public domain?
  - No
- o Do you give permission that your response is put into the public domain?
  - Yes (With Email address, phone number and postal address redacted).

## Questions

1. Are you a (i) current or (ii) former, employee, contractor or agency-supplied worker at the Financial Conduct Authority?

(ii) Former full time employee: took voluntary redundancy in June 2021.

2. In what area of the FCA do/did you work??

Initially Supervision and then Risk and Compliance Oversight

3. Briefly describe the functions you perform or have performed at the FCA.

A Technical Specialist in a risk advisory role (i.e., aiding various supervisory departments' risk identification and assessment.)

4. In broad terms, what has your experience of working at the FCA been like?

The organisation promised much but seldom delivered both in term of its pledges to firms and those to its staff.

Having originally joined the FSA, I elected to join the FCA at transition in 2013<sup>1</sup> when the FSA was abolished, thinking I would be a joining a genuinely exciting and pioneering regulator.

From the very beginning however it was a disappointment: thrashing around trying to find an appropriate supervisory framework, mired in the same bureaucratic, unimaginative mindsets that existed at the FSA and ridiculously hierarchical.

Numerous attempts to “reset” the organisation have failed to embed properly and as a result have not changed outcomes for consumers or staff. At no stage that I can think of, since its inception, has the FCA been in what might be described as an operational steady state.

5. During your period of employment did you witness any actions or conduct that, in your reasonable belief, breached any law, regulatory code or applicable or relevant policy? If so, please explain which law, code or policy you believe was breached.

[Left blank]

6. What example/s can you share about when the FCA has done a good job to protect consumer interests?

I believe that during the first ten to twelve months of the Covid pandemic the FCA responded swiftly and responsibly to the situation and indeed showcased a fleetness of foot that had been notable by its absence previously. Good work was done in regard, specifically to Business Interruption Insurance and, more generally, in providing clear guidance to firms as to the expected and appropriate treatment of consumers during exceptional times.

Sadly, this was very much the exception in terms of overall performance during my time at the FCA and indeed by the end of my tenure the organisation was slipping back into its old inefficient and slow ways.

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<sup>1</sup> Staff were offered the opportunity to state a preference as to whether they wished to join the FCA or the Bank of England.

7. What example/s can you share about when the FCA has done a poor job to protect consumer interests?

There are numerous cases of regulatory failure such as LCF, Woodford, etc. that are well documented, so it is perhaps better to focus on some of the inherent causes of this. For example:

Day to day supervision is extremely poor in general, with staff demonstrating a shocking lack of even basic financial literacy and general commercial (or indeed at times common) sense. As a result, there is an almost comical suspicion of firms that make even a modest profit and an apparent base assumption that all supervised firms are “bad faith” actors.

Yet despite this mind set, senior staff appear particularly risk adverse and unwilling to take tough decisions about firms even in the face of damning evidence. In the case of dual regulated firms, the impression the FCA gives is that it “hides behind the skirts” of the Bank of England, letting the Bank take difficult decisions and then falling in step.

I also believe that consumers and supervised firms would be shocked as to the extent to which the key, and what should be over-riding, objective of consumer protection takes second place to a steady stream of workshops, classes and presentations on issues related to identity politics.

Indeed, I would go as far as to say there is a “cottage industry” within the FCA in matters that are internally badged as D&I (Diversity and Inclusion) issues *but* actually amount to the aggressive promotion of an aching “woke” agenda in which an individual’s identity is deemed more important than their character, behaviour, or competence. Such is the zeal with which this [is] pursued that some staff members are seemingly focused on these issues (running support groups, giving presentations, writing articles for the FCA’s intranet etc.) to the exclusion of the job they are contracted to do.

8. What are your thoughts on whether the FCA lacks the powers that it needs; or conversely, that it doesn’t make good use of the powers it already has?

If anything, the FCA has far too many powers and too big a remit, but it does not give enough thought as to when and how best to apply them. Indeed, the organisation often seems unwilling to use the powers it has until it is too late. Too often the response to regulatory problems is to ask for the FCA’s perimeter to be increased rather than to think more creatively about how the problem might be solved. As I mention above, a risk adverse attitude hardly helps.

9. Have you experienced any difficulties or shortcomings in your interactions with the FCA?

[Left blank]

10. Have you experienced the FCA being reluctant to give clear answers to questions, whether from you, the public or other stakeholders?

The FCA seems incapable of being honest with its employees. Two examples will serve:

First, the relocation to Stratford. Ahead of the relocation (which was widely unpopular and remains so) staff were fed a series of assurances related to proximity to the tube station, travel times, the high spec. nature of the building, safety of the immediate area, etc. almost none of which turned out to be true.

Second, the Mutually Agreed Resignation Scheme (MARS) which was flagged as an exercise to create opportunity for the promotion of blocked talent. This was not the case

as hardly any of the roles vacated have been filled by promotion<sup>2</sup> and many just left empty. Similarly, any proposed departure was meant to be “mutually agreed”. In fact, Directors and sub-Directors were told that anyone who applied for severance under the scheme should be granted it.

It could be argued that neither example is particularly important in itself, but it speaks further of a culture of dishonesty and deceit.

11. Have you been in a situation where you could have helped a member of the public with an enquiry but were constrained from doing so as a direct result of an FCA policy or the FCA’s interpretation of an applicable law?

[Left blank]

12. What is your perception of the culture of the FCA, and what do you think of it? Does it promote openness, or is there a lack of transparency?

The culture became increasingly toxic while I was employed at the FCA. Transparency was much talked about but seldom practiced in things that mattered. As I say in the above point, dishonesty and deceit were commonplace so that any communication from the Executive Board in regard to staffing or working conditions came to be regarded as, if not necessarily untrue, then not the whole story.

The management style itself was schizophrenic. On the one hand there was much talk about openness and engagement and (what many including myself came to see as) a “performative” concern about staff well-being. Yet, on the other hand there was an increasingly aggressively and “macho” culture which displayed itself in frequent bouts of bad temper, raised voices, open criticism of colleagues in front of their co-workers and other inappropriate behaviour.

The Director of Risk and Compliance was a particularly egregious and notorious example of this behaviour, but she is not alone. In common with many other senior members of staff, she surrounded herself with a “court” of individuals we would characterise as “nodding donkeys”. Such individuals could always be counted upon to agree with her. It was notable how more forceful individuals, who were not afraid to speak out or disagree, left the Division (and sometimes left the FCA) either in frustration or because they were “pushed out”. (This is a more general issue - see my response to question 13).

Complaints about aggressive or unreasonable behaviour by senior staff across the organisation were normally brushed aside before they could become formal or official (the standard excuse being “you’ve got to realise how much pressure x is under”). If that didn’t work the formula would change to a scarcely veiled threat (“Are you sure you want the bother of escalating this? What’s it really going to achieve?”).

On top of this (or perhaps contributing to it) the relationship between individual Directors and other senior staff seemed to be unusually poisonous, even allowing for the normal corporate jockeying for power one might expect in a large organisation. There was little attempt to hide this with Directors and sub-Directors routinely denigrating their peers in front of subordinates. Staff surveys frequently referenced “back-biting” and “empire building”.<sup>3</sup>

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<sup>2</sup> I was told that this was always going to be the case, it is not a function of the post-Covid environment. (MARS was announced before the pandemic although then delayed.)

<sup>3</sup> I find it quite damning to compare the years I worked at an American financial institution with the years I spent at the FCA. Despite a demanding working environment of long hours and at times intense pressure, the culture at the US firm was healthier, more open and staff were far more valued and respected than at the FCA.

13. Does the culture of the FCA encourage and support staff in raising serious and challenging questions, or does it deter them from doing so?

When the management said they “welcomed challenge” (which they did with tedious frequency) what they meant is they welcomed supportive comments. Those who raised genuinely challenging questions were either ignored or written off as troublemakers. They could also expect to see their performance grade negatively impacted and could be subjected to veiled threats.

I was frequently told I needed to be “more supportive” and “less difficult” in meetings because I was not afraid to ask for clarification when instructions were unclear or contradictory<sup>4</sup>. Other colleagues have told me they had the same problem.

An example of the gap between words and action (as well as the lack of transparency) that stands out is a risk response I prepared in regard to a proposed action by supervisors. The firm against which the action was proposed was known to have persistent and long-standing failures in regard to money laundering prevention.

The paper listed a number of options and I wrote that from a risk perspective the most assertive and decisive option appeared to be the most appropriate. The Executive sponsor of the paper reviewed the draft and appended a handwritten note to my response saying “what’s the point of doing this if it ends up putting the company out of business!”, implying I was naïve and that the FCA could not possibly take such a course of action under any circumstances. The authors of the paper also subsequently told me they had been told to tone down the recommendations by the sponsor. When I raised this with my own Director, I was told that “I was not in a position to know all the facts” and that “high level discussions” were ongoing.

In short, what this amounted, to is that a) neither I nor the supervisors writing the paper were provided with enough information to assess the situation accurately and b) that a ‘political’ not risk based decision was being made.

As was often the case those involved in drafting the paper and those called upon to comment on it were “marched up the hill” only to be “marched down again”. That, on top of this, we were then admonished and regarded as naïve for proposing a firm course of action seems, even now, astonishing.

14. Have you ever

- Raised concerns or complained officially about the FCA?
- Been a current or past whistleblower, or known of others doing so?
- What happened, and how do you feel about what happened?
- What feedback, if any, have you had about your concerns, complaint or whistleblow?
- How helpful was the response?
- How long has it taken for your concerns, complaint or whistleblow to be processed, and how well or badly do you think the matters were responded to?

[Left blank]

15. What do you think about the possibility of conflict of interest issues at the FCA?

Two issues come to mind.

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<sup>4</sup> This led me to doubt myself to the extent that I asked a number of colleagues whether I was indeed being difficult. They said I was asking perfectly reasonable and legitimate questions in a respectable manner.

First, a “revolving door” operates for Senior Staff, with an unhealthy tendency for them to resign only to reappear a few months later at a firm they were responsible for supervising. The idea that a Senior Staff member might one day find employment at a firm they currently regulate cannot be a healthy state of affairs and leads one to wonder if this contributes to their reluctance to act assertively.

Second, the position of Sheldon Mills sitting on the FCA’s ExCo and on the board of Stonewall is an egregious example of a conflict of interest, as recently highlighted in press coverage. The FCA’s weak response to the press coverage only served to underline this fact. Mr. Mills own self-interest may well also explain the issue I raised above, as to the inordinate amount of time staff spend on D&I workshops etc. to the detriment of the consumer protection duty.

16. Do you believe the FCA should be made more accountable to the public, Parliament or anyone else? If so, why, and what measures do you think are needed?

[Left blank]

17. What positives are there about the FCA that you would like to comment on?

Generally, the staff are - or have been – working at the organisation for the “right reasons” and believe in what they are doing. Within the rank and file there are (or were) *some* exceptionally talented individuals and *some* impressive subject matter experts.

18. If you could change three things about the FCA, what would they be?

I would just change one thing.

I would break the FCA up.

The FCA is too large and its remit too big. It is not fixable, and it has become a “reputational graveyard” for staff.

A return to smaller nimbler more specialist regulators should be the way forward.

19. The FCA is undertaking a Transformation Project. Do you have any comments to make about that?

For example:

- Are staff at all levels invited or allowed to participate and contribute?
- Do you expect this project to alter or influence the culture and policies of the FCA?
- Do you expect consumer protection to be improved?
- How could transformation/improvement of the Regulator be better handled?

As I say above, I believe breaking up the FCA would be the best course of action. That said, and realising my preferred option is highly unlikely, if the FCA is to continue as a single unitary body then a transformation programme is a *sine qua non* and only to be expected after the LCF debacle.

However, it does seem to be the case (at least as I now view it from outside the organisation) that the end goal of the current transformation programme has not been articulated other than in the most general terms. Thus, it appears, rightly or wrongly, that the emphasis of the programme is on saving costs rather than on better consumer protection.

Moreover, MARS has seen the departure of many skilled and experienced staff who will be difficult to replace. (It is notable that no one under who applied to leave the scheme was turned down. I find it difficult to believe that not one of the 93 staff who left was worth retaining.)

At the same time the change in pay/benefits will lead to further departures (and indeed, so I understand, already is).

The danger this creates is that the bulk of staff who remain are those that are less skilled/committed and less experienced.

On top of this, recruitment will continue to be tricky due to the reputational hit the FCA has taken over the last 12 months.

Additionally, and it cannot be stated often enough, the location of the organisation (Stratford) is hugely unpopular and a major disincentive for potential new joiners<sup>5</sup>.

## 20. Are there any other comments that you would like to make?

- During my time at the FCA I noted a worrying resentment on the part of those longer serving staff members towards fresh talent from the private sector (or “industry”, the rather revealing phrase that is used internally). As a result, it is not always clear that the organisation gets the best out of these recruits and indeed many of them depart in relatively short order.
- Related to the above point, the organisation seems to find it difficult to match an individual’s skill set to appropriate jobs. This is despite periodic attempts to create an internal register of skills and experience.
- Huge amounts of money (and time) have been squandered by the organisation on a series of courses run by a company called Mind Gym. These courses focused on “soft behaviours” and offered no practical help in facing the day-top-day challenges of the job. On the other hand, there was seemingly little attempt and certainly seemed little investment made to supplement supervisors’ poor knowledge of financial analysis.
- Despite the bold talk that goes on in the organisation about “welcoming diversity of thought”, this is simply not true. The mindset of the FCA is, at best, “soft left”, highly interventionist and anti-free market.

Finally, there will be those who wonder why, given my comments above, I stayed so long at the FCA. However, the answer is simple: both various personal circumstances and the, as I now realise, naïve belief things would get better. There was also the element of the “slowly boiled frog”: it was only as I departed that I could look back and realise quite how inured I had become to a truly toxic and dysfunctional environment.

While I fully expect the FCA to deny and discredit much of this material, I have responded to these questions in good faith.

~~ END ~~

Thank you

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<sup>5</sup> This fact is consistently under played or regarded with scepticism, but many staff are unwilling to stay late in the Stratford office because of the perceived risk of being mugged or seriously assaulted when navigating from the office to the tube or train station.