

Financial Services

FCA Business Plan 2024/25

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On 19 March, the FCA published their Business Plan for 2024/25. This will be the final year of the FCA's three-year strategy to reduce and prevent harm, set and test higher standards, and promote competition and positive change.

We share our thoughts on the key topics and themes around:

1. Assertive supervisory approach
2. Consumer Duty
3. Resilience
4. Data and technology, including AI.

It is clear from the Business Plan that the FCA will continue to adopt an **assertive supervisory approach**. When it set out its three-year strategy, the FCA promised to be a “more innovative, more assertive, more adaptive” regulator. FCA assertiveness has been apparent in recent times with both firm-specific and thematic interventions and PKF has seen this first-hand in areas including CASS, financial promotions, pricing practices and product governance.

The Business Plan indicates the FCA will continue to deliver this assertive approach. Among other things, it promises to:

- Use its full range of regulatory tools to deal with problem firms and prevent harm
- Take assertive action to tackle fraud and scams. This includes using powers to disrupt, pursue and sanction those committing and enabling financial crime
- Take a robust approach to investigate digital customer journeys and firms using sludge practices
- Strengthen scrutiny and engagement with principals as they appoint appointed representatives and continue assertive supervision of high-risk principals through use of regulatory tools and enforcement action.



The language used by the FCA indicates that firms must be prepared for a more assertive regulator. All firms need to be fully aware and responsive to FCA priorities and take seriously any firm-specific communications and requests over the next 12 months.

Consumer Duty

Unsurprisingly, the Business Plan has a lot to say about Consumer Duty. Consumer Duty is now an integral part of the FCA's approach and mindset. It has previously stated that it will be a “golden thread” that runs through all their communications and this is evident in the Business Plan. Key activities include:

- Identifying where more effective competition can deliver fair value outcomes under Consumer Duty
- Multi-firm work and market studies across different sectors to drive up standards. This includes looking at how quickly the insurance sector responds to claims
- Reviewing firms' treatment of customers in vulnerable circumstances
- Intervening where there is greatest risk of harm or where firms need to address gaps and meet the higher standards of Consumer Duty.

As firms continue to embed Consumer Duty and prepare their first annual Board report prior to July 2024, they should continually challenge themselves on whether they are meeting the higher standards of Consumer Duty. There will be lessons to learn from the FCA's multi-firm work and market studies which firms should pay close attention and carefully consider their response to.



Financial and operational resilience

Financial and operational resilience remains an ongoing priority for the FCA.

In its Business Plan, the FCA highlights the current market and financial challenges and notes that many consumers and firms continue to struggle with the resulting impacts such as higher inflation and borrowing costs. It also highlights geopolitical risks and the potential for shocks to cause severe disruption.

The FCA promises to quickly identify and deal with firms that do not meet Threshold Conditions which may include instances where firms do not have adequate resources. Furthermore, the FCA wants to minimise the risk and impact of firm failure. As part of this, the FCA will share information it identifies through data / returns as well as share examples of good and poor practice of wind down planning, which has been a key area of interest for the FCA in recent times.

From an operational resilience perspective, the Business Plan reminds relevant firms that they will need to maintain their important business services without intolerable harm to consumers and markets by 31 March 2025. This will come around quickly so firms need to make sure they're ready. Furthermore, the FCA will consult on firms' reporting on operational incidents as well as critical third party risk.

Although the topics of financial and operational resilience have been around for a while, it is important that firms don't lose momentum on these important issues.

The FCA continues to strive to be more innovative and adopt a data-led approach. In line with this, the Business Plan describes further investment and use of **data and technology, including AI** to support and enhance its supervisory activities. This includes:

- Strengthening data collection processes to reduce the burden on firms
- Using data and horizon scanning mechanisms to anticipate firms that are at risk of failure (e.g. from the new financial resilience return)
- Analysing existing data on appointed representatives to a deeper level and using significantly improved data from updated forms, new returns and datasets
- Developing use of AI to help prevent fraud and scams
- Increasing auto-detection capabilities of problem firms and individuals
- Using new sources of data and increasing technological capabilities to detect non-compliant and harmful financial promotions.

Firms need to make sure that they are reporting complete and accurate data to the FCA as this data will evidently be used to a greater and more sophisticated extent. As previously highlighted, the FCA will take assertive action where they are not happy with the data and information they're seeing.

As always, PKF is here to help you navigate the FCA regulatory landscape and any challenges you may face. Please contact our team if you'd like to discuss any of the topics and themes in the FCA Business Plan 2024/25.

Contact any of our Financial Services partners to see how we can help...



Carmine Papa
Partner – Head of Financial Services
+44 (0)20 7516 2271
cpapa@pkf-l.com



Satya Beekarry
Partner – Audit & Assurance
+44 (0)20 7516 2425
sbeekarry@pkf-l.com



Neil Coulson
Partner – Audit & Assurance
+44 (0)20 7516 2270
ncoulson@pkf-l.com



Ian Cowan
Partner – Audit & Assurance
+44 (0)20 7516 2281
icowan@pkf-l.com



Paul Goldwin
Partner – Audit & Assurance
+44 (0)20 7516 2251
pgoldwin@pkf-l.com



Will Lanyon
Partner – Transaction Services
+44 (0)20 7516 2411
wlanyon@pkf-l.com



Cheryl Mason
Partner – Audit & Assurance
+44 (0)20 7074 9946
cmason@pkf-l.com



John Needham
Partner – Transaction Services
+44 (0)20 7516 2284
jneedham@pkf-l.com



Azhar Rana
Partner – Audit & Assurance
+44 (0)20 7516 2232
arana@pkf-l.com



Martin Watson
Partner – Audit & Assurance
+44 (0)113 524 6220
mwatson@pkf-l.com



James Wilkinson
Partner – Audit & Assurance
+44 (0)113 526 6457
jwilkinson@pkf-l.com



Jessica Wills
Partner – Governance, Risk & Control Assurance
+44 (0)20 7516 2229
jwills@pkf-l.com



Benny Wong
Partner – Funds & Asset Management
+44 (0)20 7516 2397
bwong@pkf-l.com

PKF Littlejohn LLP

London
15 Westferry Circus
Canary Wharf
London E14 4HD
+44 (0)20 7516 2200

Leeds
3rd Floor, One Park Row,
Leeds, Yorkshire,
LS1 5HN
+44 (0)113 244 5141

Manchester
11 York Street,
Manchester,
M2 2AW
+44 (0)161 552 4220

www.pkf-l.com

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