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GENERAL COMMITTEES

Public Bill Committee

BANK OF ENGLAND AND FINANCIAL SERVICES BILL [*LORDS*]

Fifth Sitting

Tuesday 23 February 2016

(Morning)

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Saturday 27 February 2016

STRICT ADHERENCE TO THIS ARRANGEMENT WILL GREATLY FACILITATE THE PROMPT PUBLICATION OF THE BOUND VOLUMES OF PROCEEDINGS IN GENERAL COMMITTEES

The Committee consisted of the following Members:

Chairs: † Mr Graham Brady, Phil Wilson

† Baldwin, Harriett *(Economic Secretary to the Treasury)*
† Burgon, Richard *(Leeds East)* (Lab)
† Caulfield, Maria *(Lewes)* (Con)
† Cooper, Julie *(Burnley)* (Lab)
† Donelan, Michelle *(Chippenham)* (Con)
Fysh, Marcus *(Yeovil)* (Con)
† Hall, Luke *(Thornbury and Yate)* (Con)
† Kerevan, George *(East Lothian)* (SNP)
† McMahon, Jim *(Oldham West and Royton)* (Lab)
† McGinn, Conor *(St Helens North)* (Lab)
† Mak, Mr Alan *(Havant)* (Con)
† Mann, John *(Bassetlaw)* (Lab)
† Marris, Rob *(Wolverhampton South West)* (Lab)
† Mullin, Roger *(Kirkcaldy and Cowdenbeath)* (SNP)
† Newton, Sarah *(Truro and Falmouth)* (Con)
† Skidmore, Chris *(Kingswood)* (Con)
† Tolhurst, Kelly *(Rochester and Strood)* (Con)
† Wood, Mike *(Dudley South)* (Con)

Matthew Hamlyn, Fergus Reid, *Committee Clerks*

† attended the Committee

Public Bill Committee

Tuesday 23 February 2016

(Morning)

[Mr Graham Brady *in the Chair*]

Bank of England and Financial Services Bill [*Lords*]

9.25 am

The Chair: For the convenience of the Committee, and with its leave, I propose that we group clauses 26 to 37 and allow remarks on all of them under the clause 26 stand part debate. Is that acceptable to the Committee?

Rob Marris (Wolverhampton South West) (Lab): I have to say, Chair, that taking all those clauses in one group sounds rather cumbersome. I have a series of packages of comments and questions on the different clauses. I do not mean to cause difficulty, Sir, but taking them all as one group might do so. Might we take some of the pensions provisions together, for example?

The Chair: If the Committee wishes, I am happy to take all the clauses individually. I propose that we take clause 26 on its own, and then perhaps clauses 27 to 37 as a group.

The Economic Secretary to the Treasury (Harriett Baldwin): I am happy either way, Mr Brady. It might also be worth touching upon Government amendment 7 to clause 38 as I go through the provisions.

The Chair: Thank you, Ms Baldwin. That amendment comes separately in any case. Shall we see how we go?

Clause 26

Enforceability of agreements relating to credit

Question proposed, That the clause stand part of the Bill.

Harriett Baldwin: It is a delight to be back here, again on a sunny Tuesday, to continue our scrutiny of the Bill under your chairmanship, Mr Brady.

The Government have fundamentally reformed consumer credit regulation, transferring responsibility from the Office of Fair Trading to the Financial Conduct Authority with effect from 1 April 2014. Clause 26 supports the effective operation of the FCA's regime through minor amendments to the Financial Services and Markets Act 2000 in relation to the regulation of consumer credit. It is a technical clause and concerns the application of provisions relating to the enforceability of credit agreements. It makes it clear that when a person acting on behalf of a lender can lawfully undertake the relevant credit-related regulated activity in relation to the agreement, either by administering the agreement in relation to section 26A(4), or by taking steps to procure the payment of debts under it in relation to section 26A(5), they are also able to enforce the agreement.

Rob Marris: It is a pleasure to be here with you again, Mr Brady. I thank the Minister for her explanation—that is great.

Question put and agreed to.

Clause 26 accordingly ordered to stand part of the Bill.

The Chair: We now come to clauses 27 to 37. I suggest that we allow all of them to be commented upon as a group.

Clause 27

Enforceability of credit agreements made through unauthorised persons

Question proposed, That the clause stand part of the Bill.

Harriett Baldwin: For the benefit of the Committee, I will highlight each of the clauses as I go through them, while grouping my speaking notes.

Clause 27 also supports the effective operation of the FCA's regime by amending section 27 of the 2000 Act, which deals with agreements made through unauthorised persons, to ensure that it has a proportionate effect on consumer credit and consumer hire providers. Section 27(1) of that Act provides that an agreement made by an authorised person carrying on a regulated activity is unenforceable when it is made in consequence of something said or done by a third party in circumstances in which that third party should have had, but did not have, permission. The clause narrows the circumstances in which a credit agreement or consumer hire agreement is unenforceable under this section and ensures that this will only be the case when the provider of credit knows, before the agreement is made, that a third party had some involvement in the making of the agreement or in matters preparatory to it being made.

Clause 28 introduces a power into the 2000 Act for the Treasury to make regulations relating to transformer vehicles. Transformer vehicles—you may be wondering, Mr Brady—are used for risk mitigation purposes in insurance markets, particularly in the insurance and reinsurance industry. The Government plan to use this power to implement a new framework for insurance-linked securities business. Insurance-linked securities are now an important and growing part of the global specialist reinsurance market. The Government are working closely with the London market and the financial regulators to implement a fit-for-purpose regulatory regime for insurance-linked securities business. This will help the UK to maintain its competitive edge as a global reinsurance hub.

Clause 29 extends the definition of pensions guidance within section 333A of the 2000 Act to include the provision of guidance to consumers interested in assigning or surrendering—in other words, selling—rights to payments under an annuity on the secondary market. It also closes an unintended gap in guidance provision, ensuring that individuals whose schemes have transferred into the pension protection fund are able to access Pension Wise guidance—the free and impartial Government-supported guidance service.

In the March 2015 Budget, the Government announced our intention to remove the tax restrictions that deter pensioners from selling their annuities. This reform will enable retirees who were unable to take advantage of the Government's new pension freedoms to convert their annuity into a lump sum, or another investment product if they choose, giving those who have worked hard and saved for their retirement choice over their financial arrangements.

The Government are committed to implementing the new secondary market in annuities in April 2017. The new market will offer consumers new freedoms but will involve potentially complex choices for them. The Government want to ensure that consumers are empowered and equipped to make the most of their assets. The offer of free, high-quality and impartial guidance through Pension Wise is a key part of providing the consumer with the relevant information to make the necessary decisions. That is why the Government are extending the Pension Wise service to provide guidance to those who will be able to sell their annuities on the secondary market, and to any dependants or beneficiaries with rights to payments under an annuity contract.

Pension Wise was launched in March 2015 to give impartial guidance to individuals with new flexibilities under pension freedoms. It has been a successful service, with high levels of consumer satisfaction, more than 2.2 million visits to the website and more than 50,000 individual appointments. In response to the Government's consultation on allowing consumers to sell their annuities, there was strong support for expanding Pension Wise, both from consumer groups and from industry.

The expanded service will be similar in nature to the existing Pension Wise service, but it will need to be adapted to ensure that the content and service delivery are appropriate for this new group of consumers. By legislating at this time, the Government are ensuring that there is enough time to implement the expansion of Pension Wise before the secondary market in annuities opens in 2017. At present, Pension Wise can provide guidance only to a member, or the survivor of a member, of a pension scheme. As the pension protection fund is a compensation fund, not a pension scheme, individuals whose schemes have transferred into the pension protection fund are currently unable to obtain guidance from Pension Wise. Pension Wise should be available to all those who wish and are able to take advantage of pension freedom reforms, so it is right that we are taking action now to ensure that all have equal access to the service.

Clause 30 places an obligation on the Financial Conduct Authority to set rules requiring specified firms to check that relevant annuity holders have received appropriate advice before processing the transfer of an annuity. In practice, this will introduce a requirement for individuals to receive financial advice before selling their rights to an annuity income stream, where that annuity is valued higher than a threshold to be set in secondary legislation. The Government are committed to implementing the new secondary market in annuities in April 2017, removing the barriers that prevent people from making their own choices over how they use their retirement savings. However, we recognise that the regular income stream provided by an annuity is a valuable asset and that for the majority of individuals it will be in their best interests to keep their annuity. It is therefore important that annuity holders understand the value of their annuity and are informed about their options.

The Government have consulted on the consumer support measures that should be introduced for the secondary market in annuities. Elsewhere in the Bill, the Pension Wise guidance service is expanded to provide information and guidance for those with a relevant interest in an annuity that can be sold in the secondary market. As a further measure to support consumers, the Government believe that, for those with a higher value annuity, there is a real benefit to having a bespoke recommendation before they make the decision to sell their annuity income. By introducing a requirement to receive financial advice, the Government are ensuring that those consumers receive a recommendation tailored to their individual circumstances and risk appetite.

However, although the Government believe that all individuals would benefit from financial advice, we recognise that the cost of advice for those with small annuities might be disproportionate. That is why, in legislating for this advice requirement, the Government have taken a power to specify in regulations which annuities will be subject to the requirement, for example by introducing a threshold. That would mean that only individuals with higher value annuities will be required to take financial advice. That approach was broadly supported by both industry and consumer groups in the Government's consultation last year. The Government will determine the threshold, along with other details of the advice requirement for this market, through secondary legislation, which will be consulted on later this year.

Clause 31 is technical in nature and allows appointed representatives of authorised financial advisers to advise on the conversion and transfer of safeguarded benefits. Safeguarded benefits are the special valuable features of certain pensions, such as defined-benefit pensions, and pensions with guaranteed annuity rates, which are defined for the purposes of the advice safeguard established in sections 48 and 51 of the Pension Schemes Act 2015. The changes to sections 48 and 51 amend the definition of authorised independent adviser to include appointed representatives. As a result, they will be able to give appropriate independent advice in order to satisfy the advice safeguard. The clause also makes changes to the Financial Services and Markets Act 2000 (Appointed Representatives) Regulations 2001, to the same end. Subsection 3 of the clause extends the change to Northern Ireland.

Around two thirds of financial advisers are appointed representatives who have a specific contract to provide services on behalf of their principal, who will be an authorised financial adviser regulated by the FCA. That measure puts the eligibility of appointed representatives to advise on these transactions beyond doubt. The clause extends eligibility to advise on these transactions only to the appointed representatives of financial advisers. What it will not do is reduce consumer protections or weaken the accountability of financial advisers or their appointed representatives. Where an appointed representative advises on these transactions, the directly authorised firm, as the principal, takes full responsibility for the quality of the advice and compliance with FCA rules. The pension freedoms that came into effect in April have given people real freedom and choice in how they access and spend their income at

[Harriett Baldwin]

retirement. This change will help to ensure that they operate as intended for customers with safeguarded benefits.

Clause 32 refers to the duty of the Bank of England to provide information to the Treasury. As hon. Members will know, the financial crisis of 2008-09 exposed significant failures in the old tripartite system of regulation. Since then, the Government have implemented, and continue to implement, major reforms to address those problems of the past and make the financial sector safer and more stable. These include a number of measures designed to ensure that bank failure can be managed in a way that protects the wider economy and financial sector, without relying on taxpayer bail-outs.

Under the old tripartite regime of regulation, there was no single institution with responsibility, authority or powers to oversee the financial system as a whole. The Banking Act 2009 addressed that by putting the Bank of England firmly in the driving seat for managing a financial crisis, and the Financial Services Act 2012 overhauled the regulatory architecture in the UK, including making provision for collaboration between the Treasury and the Bank of England in relation to crisis management. Clause 32 builds on those important reforms while, crucially, leaving unchanged the clearly defined roles of the Treasury and the Bank, as established in the 2009 and 2012 Acts.

The clause also seeks to ensure that the correct arrangements are in place for the Bank and the Treasury to fulfil their respective roles as effectively as possible. It does that by providing the Treasury with two new powers to receive information from the Bank, as part of understanding the public funds risk associated with firm failure. First, it creates a duty on the Bank to provide the Treasury with the resolution plans and certain supporting information for firms that the Bank considers it may need to resolve using the stabilisation powers in the 2009 Act. That will ensure that the Treasury can understand well in advance of a crisis scenario the public funds risk associated with a firm failing. Secondly, it gives the Treasury the power to obtain any extra information from the Bank that it considers material to the Bank's assessment of that risk.

The clause relates solely to information sharing and co-ordination between the Bank and the Treasury, as part of their fulfilling their respective roles. It serves to formalise the productive working arrangements that have developed between the two bodies since the 2012 Act, and it ensures that the framework for co-ordination reflects developments in best practice, both domestically and internationally.

Clause 33 corrects an error in the National Savings Regulations 2015. The regulations revoked a number of statutory instruments with effect from 6 April 2015 and the Financial Services and Markets Act 2000 (Consequential Amendments and Repeals) Order 2001 was included by mistake. The 2001 Order was used to make most of the consequential amendments and repeals that were required to give effect to the 2000 Act. It amended a range of primary and secondary legislation, including the Companies Acts, the Bank of England Act 1998, the Building Societies Act 1986, pensions legislation and other legislation relating to financial services. Some of the amendments made by the 2001 Order have been superseded by subsequent legislative developments, such as the consolidation of the various Companies Acts in the Companies Act 2006, but in many cases the amendments are still necessary and the repeal of the instrument making them has left the law in a state of considerable uncertainty. The clause removes that uncertainty by providing that the revocation shall be treated as not having been made, restoring the law to what it was before the accidental revocation of the 2001 Order.

Clause 34 makes changes to the legislative framework governing the issuance of Scottish and Northern Ireland bank notes. It gives the Treasury power to make regulations authorising a bank in the same group as an existing issuer to issue bank notes in place of that issuer. That will increase banks' flexibility to restructure their operations, while preserving the long-standing tradition of certain banks in Scotland and Northern Ireland issuing their own notes. This is a particular issue at the current time, as some banking groups will be adjusting their group structure in order to ring-fence their retail banking operations.

Clause 35 enables the Treasury to make amendments consequential to the Bill, and any statutory instruments made under it, to other primary and secondary legislation. For example, the power is likely to be used to amend references to the PRA in other legislation where necessary to reflect the fact that the authority is no longer a separate legal entity from the Bank. The power can be used only in certain circumstances. The Treasury can make regulations under the power only if it is necessary to do so as a consequence of a provision in the Bill. Furthermore, the power applies only to legislation that is made before the Bill is passed, or in the same parliamentary Session.

9.45 am

Clause 36 sets out the territorial extent of the Bill; subject to subsection (2), the provisions apply to England and Wales, Scotland and Northern Ireland. Clause 37 simply deals with the commencement of the Bill. Clauses 28, 33 and 35 to 38 are to be brought into force when the Act is passed; clause 29 will be brought into force by regulations made by the Secretary of State; and all other clauses on the day provided for in commencement regulations made by the Treasury. I hope the Committee agrees that clauses 27 to 37 stand part of the Bill.

Rob Marris: I congratulate the Minister on that fluent marathon. I fear that I shall less fluent, but in my defence I do not have quite the same resources behind me as the Minister, and of course I may not have her skill. I warn her that I shall be asking some questions. I hope that her officials will be able to help her and the Committee with the answers.

Clause 27(2), which inserts new section 27(1ZA) in the Financial Services and Markets Act 2000, appears to be a "see no evil, hear no evil" provision. I hope the Minister can reassure me. It says,

> "this section does not apply to a regulated credit agreement or a regulated consumer hire agreement unless the provider knows before the agreement is made that the third party had some involvement in the making of the agreement or matters preparatory to its making."

What has bedevilled legislators, regulators and those providing advice, whether in finance, the law or accountancy, is knowing when to inquire whether there is something else in the picture, to put it rather vaguely—for example, in conveyancing, whether those acting for the vendor of a house need to inquire whether there is someone besides the vendor living in the house, who would potentially have rights under the Law of Property (Amendment) Act 1926. I confess that it is 25 years since I did conveyancing, so that Act may have changed, but that is the general flavour—it is about when, as a professional, one has to make inquiries. New subsection (1ZA) is a great get-out for an adviser or a company entering into a regulated credit agreement, enabling them to say, "Well, I didn't know." On occasion, that is not good enough. One ought to inquire.

This is an example of my ignorance, I freely confess, but while I understand that the Financial Services Consumer Panel has said that these amendments are entirely technical—that was mentioned in the Lords by my noble Friend Lord Davies—it does not seem to me to be entirely technical and I cannot quite see why clause 27 is in the Bill. Will the Minister explain?

Clause 28 is headed "Transformer vehicles". It reminds me of those kids' toys—are they still around? The Minister is smiling in her usual sunny way, so I think they are still around; they were a little after my time, I have to say. I understand from the debate in the Lords that the Delegated Powers and Regulatory Reform Committee was consulted on the aspect of these changes dealing with hybrid instruments. New section 284A(6)(c) of the 2000 Act will

"authorise the FCA or the PRA to require the Council of Lloyd's to exercise functions on its behalf (including functions conferred otherwise than by the regulations)".

Under new subsection (11):

"If a statutory instrument containing regulations under this section would, apart from this subsection, be treated as a hybrid instrument for the purposes of the Standing Orders of either House of Parliament, it is to proceed in that House as if it were not a hybrid instrument."

As I understand it, the hybrid instrument procedure is there to protect certain private interests. It appears that new section 284A will bypass that procedure—it is very clear, very up front—but that raises a question in my mind about whether, for convenience, the Government are proposing an end-run around protections for private instruments.

That is the least of my worries about clause 28, though. Transformer vehicles, as I understand it, are used for packaging or bundling. Section 284A(2)(b) refers to

"fully funding A's exposure to that risk by issuing investments where the repayment rights of the investors are subordinated to A's obligations to B in respect of the risk."

In lay terms—I stress: lay terms—it is reinsurance; it is laying off the risk. Bookies do it all the time, akin to what sometimes goes on in the City. However, the bundling or packaging of debts, which I understand is what the transformer vehicles enable to be done, was precisely one of the major drivers of the meltdown of the US sub-prime market in 2007-08. To quote my friend and helpful adviser, Professor Alastair Hudson, "The investors then got the return generated by the mortgages. They then brought credit default swaps to provide insurance against the mortgage borrowers failing to make their repayments, or they bought credit default swaps to bet that those borrowers would fail to make those payments." Ain't capitalism great? You can have it both ways. In horse-racing, it is an each-way bet, but with an each-way bet in capitalism it is the punter who always seems to lose and the financial company that just about always seems to gain.

Those special-purpose vehicles were created, as I understand it, to bundle up and package sub-prime mortgages—SPVs were not just used for that, but it is perhaps the most notorious example—so that they were off the banks' books and on somebody else's books. Then, when things go wrong—as they did—the rest of us pick up the tab. That is the moral hazard. Transformer vehicles and proposed new subsection 284A of the 2000 Act appear to facilitate and encourage that kind of behaviour.

I hope that the Minister will be able to reassure me. It is possible that I have misunderstood what the new section will do and what transformer vehicles do, and that my fear about the risks involved is unfounded. I am not necessarily expecting her to do that now. I hope that she will catch your eye, Mr Brady, and reply to these points after my own marathon, which I have to tell the Committee has only just started.

The third thing that this clause highlights, and I use this as an example for the Government, is the complexity and overlapping nature of our legislation, which makes it difficult for anyone to understand. For example, new section 284A is a mere insertion. Later in our consideration of the Bill, we have all kinds of insertions: new clause 1 deals with a new section 333T; new clause 7 deals with a new section 137FBB; and, from memory, we have somewhere else the insertion of new paragraph (3GA) in a regulation. No wonder people cannot understand our financial regulations and legislation, when Tolley's now runs to—what?—1,500 pages and we have amendment after amendment on top of scores of previous amendments. Will the Minister say whether the Government have any plans to simplify and/or consolidate the 2000 Act? It is getting incredibly complicated and further complication increases the chances of non-compliance, whether inadvertent or deliberate, because people can use the defence, "I didn't understand what was in there."

Turning to the pensions matters, I will take clauses 29 to 31 together. On pensions guidance, I hope that the Minister can say how far down the chain of advice to individuals the Government propose to go. Labour Members want an advice service that helps people to make informed decisions. There is a role for the state in either doing or facilitating that, and we are pleased that the Government recognise that, but we now have protection being built into the Bill for those who are considering selling on their existing annuity in a secondary market. That is set out in clause 29, which would amend section 333A of the 2000 Act. Subsection (2)(b) would insert a reference to

"guidance given for the purpose of helping an individual who has a relevant interest in relation to a relevant annuity to make decisions in connection with transferring or otherwise dealing with the right to payments under that annuity."

As I understand it, that is principally to do with secondary markets for annuities. Paragraph 152 of the explanatory notes sets out that this would help by giving advice to annuity holders who are

"considering selling the income from their annuities to a third party on the secondary market".

[Rob Marris]

Today, the Minister mentioned beneficiaries of annuities, which is slightly different from annuitants selling on their annuity or contemplating doing so. How far do the Government propose to go with this? Will the beneficiaries of beneficiaries be able to access Pension Wise? Will the prospective beneficiaries of beneficiaries be able to do so? Will the prospective beneficiaries of annuitants be able to contact Pension Wise? There is a question about how far this coverage goes. When an annuitant sells their annuity on a secondary market and puts the proceeds into another instrument to provide for their pension in place of the original annuity, will Pension Wise, either before or after such a sale, advise the annuitant on that other vehicle into which the annuitant proposes to place, or is considering placing, the fruits of their sale on the secondary market?

I turn now to the report produced by the Work and Pensions Committee. I appreciate that the matter comes under the Department for Work and Pensions rather than the Treasury but, if the Committee will bear with me, I hope I can clarify that it is very germane to what we are discussing. That report was published on 19 October 2015 as House of Commons paper 371, entitled "Pension freedom guidance and advice". The Government's response to this report was published on 17 December. Good Government responses tend to go through the report line by line. This response by the Government to the Select Committee report is pretty comprehensive, and it goes through each recommendation suggested by the Committee.

The Financial Secretary gave evidence to the Work and Pensions Committee when it was working on that report, and she indicated that certain performance figures would be put on the Government website—in fact, she may have said that they had already been put on the website. I see her nodding. I have to say that if they are on the site, they are very well hidden. I looked at the Pension Wise website today and I could not find that kind of back-up statistic—not individual statistics, but figures such as the 2.2 million users to which, I think, the Minister referred earlier. Nor could I find the figures on the performance website—I did a search on both "Pension Wise" and "work and pensions". I hope that the Minister is able to say what has happened to those performance figures.

10 am

The Work and Pensions Committee states, in the summary on page 3 of its October 2015 report:

> "Despite the dearth of Pension Wise statistics, it is apparent that take-up of its services has been lower than many anticipated."

I confess that I have not read the whole report, but there seems to be a contradiction in the Committee's saying that take-up has been lower than anticipated while acknowledging that it does not have the statistics. If it does not have the statistics it cannot know that, but the Committee did the investigation and the report and, for the purposes of the Committee sitting today, I have to take its word for it. The report also states, on the same page, that

> "a lack of regulatory clarity is endangering pension savers."

That is troubling.

In the report's conclusions regarding scams, the Committee states, on page 28:

> "The pension freedom reforms have increased the prospects of people being conned out of their life savings. Financial scammers are notoriously adept at reinventing themselves to take advantage of such opportunities."

That is also troubling, in particular in the context of what I read on page 40 of today's *The Times*:

> "The pensions regulator is lobbying the Department for Work and Pensions for more powers to tackle dozens of pension schemes that are regarded as unviable, opaque or unethical."

I realise that that is not directly on all fours with the clauses on Pension Wise, but Pension Wise is a Government advisory service for people who are taking their pensions, by way of an annuity, or will soon be taking, or considering taking, them—they might, of course, get the advice and decide not to take them. Therefore, the pension schemes, and their trustworthiness and soundness, are important.

Mr Malcolm Small, former pensions policy adviser at the Institute of Directors, is quoted in that article in *The Times* as saying that he was

> "astonished by the lack of information about charges, investments or even the most basic operational details, such as the registered address of the relevant organisation".

That, apparently, is because we have these master trust pension schemes entering the market—there are echoes, to me, of bundling, but it is not quite the same thing. According to the article in *The Times*—I hesitate to quote this but it came up today and I hope that the Minister can give me some reassurance—

> "Unlike schemes run by insurers, which are overseen by City regulators, there are few rules governing the creation and administration of master trusts. There is no public record of the number of active master trusts".

On the advice given by Pension Wise, particularly to young people—we want to encourage young people to engage with pensions—we have auto-enrolment. Auto-enrolment is not necessarily done perfectly but overall it is a good thing and we support it. We then have, apparently, a bit of a gap in regulation, which is part of what this Bill—as opposed to a Bill that came from the Department for Work and Pensions—is dealing with. So I hope that the Minister can reassure me—I imagine some other members of the Committee would like this reassurance too—about what is going on there.

On clause 31, I have a minor query on subsection (7). The clause amends the Pension Schemes Act 2015—a recent Act already being amended by the same Government—but subsection (7) states,

> "The amendments made by subsections (4) to (6) do not affect the power to make further subordinate legislation amending or revoking the amended regulations."

Subsections (4) to (6) relate to secondary legislation. I might be misunderstanding parliamentary procedure, but I am not sure why that is in the Bill when that is an inherent power of Government and Parliament anyway. New paragraph (3GA), to which I referred earlier, is also in clause 31. There is complexity here.

On clause 32, I think I heard the Minister say—perhaps she will confirm; I apologise for not paying enough attention if I missed it—that the provisions on the Bank providing information to the Treasury were prospective in the sense that the information might be requested by the Treasury from the Bank of England in advance of a possible failing. Again, it might be my reading of the Bill, but I cannot see where it says "advance". New subsection (1) of new section 57A simply states,

> "The Treasury may by notice in writing require the Bank of England to provide it with information specified, or of a description specified, in the notice."

New subsection (2) continues:

> "The information must be information which the Treasury consider is material to the Bank's assessment of the implications for public funds of a bank, building society, credit union or investment firm failing."

So I hope the Minister can confirm that that would be prospective.

The clause refers to "failing", but new subsection (6)(a) to (k) goes on to give a different definition of insolvency. In the Banking Act 2009, passed by my own Government —I no doubt voted for it; a fine piece of legislation it must therefore have been—section 96(1) gives a definition of the grounds for insolvency. To demonstrate insolvency, grounds must be satisfied. Again, I am grateful to Professor Alastair Hudson for drawing my attention to this. Subsection (1) states:

> "(a) Ground A is that a bank is unable, or likely to become unable, to pay its debts
>
> (b) Ground B is that the winding up of a bank would be in the public interest, and
>
> (c) Ground C is that the winding up of a bank would be fair."

It is nice to see in legislation that (a), (b) and (c) follow (a), (b) and (c); that is not always the case. Those grounds are understandable, but they are not entirely clear, or not entirely comprehensive might be a better description. A common definition of insolvency is that an organisation is unable to pay its debts as they become due. That is not in the Banking Act 2009, so I will withdraw what I said earlier; perhaps it is not quite such a fine piece of legislation, because it needs a bit of clarification, and it falls to the Government to clarify it.

Clause 32, which is about information from the Bank to the Treasury, deals with insolvency, or non-insolvency. Of course, the Bank of England might provide information to the Treasury and the Treasury might think, "Oh, we thought bank X was failing and might become insolvent but we have been reassured by all these wonderful statistics about capital ratios and so on from the Bank of England." Great, but it is at heart to deal with failing and therefore crosses over and connects with insolvency.

However, the 2009 Act is not entirely clear on insolvency. I ask the Minister whether the Government have any plans—perhaps even in the Bill—to clarify insolvency further. Generally, it would not be taken as unable to pay debts immediately. It may in this case be helpful to use a Margaret Thatcher approach, although it is not one I would often use. Most people who have a mortgage that they are paying off every month, and where they therefore have no arrears, would not regard themselves as insolvent, because they can pay the debt as it falls due; that is the mortgage payment to the specified amount on the date agreed. If the bank or building society were to say, "We want all those tens or hundreds of thousands of pounds back next week," the borrower, in almost all cases, would not be able to repay that money, because they could not sell the asset quickly, even if the asset of the house, through appreciation, were now worth more than the outstanding debt.

Timing and the concept of debts as they become due is very important to what most people would see as part of the definition of insolvency. There have been changes since I practised company law. We had a new blockbuster Companies Act 2006, introduced by the Labour Government, that ran to 1,500 pages. Under that, it was a criminal offence to be trading while insolvent, whether a bank or anyone else. So will the Minister please say a little more on the subject of insolvency?

On clause 33, I will not dwell on the Government's misery; I will just say it is another reverse ferret. Clause 33 says in terms, "We introduced some secondary legislation in 2015 to abolish secondary legislation of 2001, and— oops!—a bit of a mistake, so we are unabolishing the reverse ferret."

Clause 34—on banks authorised to issue banknotes in Scotland and Northern Ireland—the Minister will expect me to ask, for all kinds of historical reasons, why not Wales? Perhaps there still is, but there used to be a mint—for making coins, not for eating—in Cardiff. Wales had, within the UK, a role in the physical creation of the currency of the land. What has happened to Wales? Should it not be included? Is it because there are no banks headquartered and based in Wales, and therefore there would be no issuing body?

If the Scottish National party's new clause regarding the name of the Bank were accepted by the Government, it would become the Bank of England, Scotland, Wales and Northern Ireland. The matter of issuing banknotes in Wales might then become more of an issue, particularly in the context of devolution and concerns about whether the Assembly and the Government of Wales have sufficient and correct powers.

I will not address you, Mr Brady, you will be relieved to hear, on the technical clauses 35 to 37.

10.15 am

George Kerevan (East Lothian) (SNP): I just want to make some remarks about clause 28, on transformer vehicles, which is one of the most important elements of the Bill, even though it is somewhat technical.

I commend the Minister on her rapid and very clear presentation of the clauses, but she said something about clause 28 that caused me to worry, and I would like to press her on it. She seemed to imply that the clause is being introduced to ensure that the regulation of transformer vehicles will maintain, and in fact increase, the City's competitive edge. I worry that we are enacting regulatory provisions that could be used to facilitate transformer vehicles, which are rather toxic.

Transformer vehicles have been around for a while—since the start of the millennium—but they began to grow rapidly in the reinsurance market in the past decade. The danger is that they are under-capitalised. The existing reinsurance market is well capitalised, and the risks are well catered for. The existing major insurers traditionally do not reinsure all of their risk. They keep some of it and capitalise for it, which is good, and pass on the bulk, but not all, to separate or wholesale reinsurers, which are heavily capitalised in case anything goes wrong. The companies use actuarial tables to make profit and invest, but if anything goes wrong—if there is a systemic crisis in the market—they are capitalised in both the insurance and the reinsurance parts of the market to cover that risk.

[George Kerevan]

The point about transformer vehicles is that in the past decade we have moved away from a capitalised reinsurance market to one in which the risks are hedged by selling credit default swaps. If used sensibly, that is not a problem, because if an individual insurance policy runs into trouble a credit default swap can be called in. But as we saw with the mortgage-backed securities at the end of the first decade of the millennium, if there is a systemic crisis and the entire mortgage market goes, the credit default swaps cannot be up because everybody loses money. The worry is that if our reinsurance model is based wholly on hedging, individual transformer vehicles can pay up, but if there is a general crisis—if there is a massive weather crisis or a nuclear power station, such as Hinkley Point C, blows up—the credit default market will not be able to repay everybody. That is why we need to regulate it.

If we are introducing these regulations to put in place an easier approach to hedging, rather than a properly capitalised reinsurance market, and to ensure that the hedging is here rather than New York, we are creating a problem. The Minister could become famous. If she ensures that the regulations that are introduced by the Treasury, the PRA and the FCA are used to make the market work sensibly, we will avoid a crisis. But if we introduce regulations that move the market further towards hedging and away from proper capitalisation, her name will be on the crisis when it occurs.

I want to clarify what these regulations are for. Are they for ensuring discipline in the market and the capitalisation of reinsurance, or are they a way of evading capitalisation? That is where the problem would begin.

Harriett Baldwin: I will try to keep my response in order, Mr Brady, but forgive me if I occasionally slip out of order. The hon. Member for Wolverhampton South West started by asking about clause 27, which he described as “see no evil”. I want to reassure him that the change addresses an issue that arises as a result of the transfer of the regulation of consumer credit from the Office of Fair Trading to the Financial Conduct Authority and the consequent application of the Financial Services and Markets Act 2000 to the consumer credit market. The issue addressed by the clause, whether relating to a chain or third party, arises particularly in the context of consumer credit and the activity of credit broking.

We are confident that the change to section 27 of the Financial Services and Markets Act addresses the issue with regard to consumer credit, ensuring that the section is more proportionate on consumer credit firms, without unduly affecting the protections available to consumers in the market. That is in line with our broader policy intent for the consumer credit market, where the reforms that the Government have made balance the need to provide strong consumer protections with ensuring that the burdens placed on a diverse market that includes thousands of small businesses is proportionate. I reassure the hon. Member for Wolverhampton South West that firms remain under a regulatory duty, imposed by the FCA, to take reasonable steps to satisfy themselves that the firms that they deal with are authorised, where that is appropriate. The clause strikes the right balance between protecting consumers and placing a proportionate burden on firms that are lending to consumers.

We share with the hon. Gentleman an aspiration to simplify some of the legislation. I very much welcome his words of support for my dream goal in this post, which is to simplify and reduce some of the complexity not only of this regulation but of the FCA’s own rulebook, which has become quite a significant barrier to entry to sensible organisations that may want to move into, for example, the debt advice space. I welcome his support for any progress I am able to make to simplify some of that.

Clause 27 simply narrows the circumstances in which a credit agreement or a consumer hire agreement is unenforceable. I think that the hon. Gentleman will welcome that. Both he and the hon. Member for East Lothian mentioned transformer vehicles, which are not those fun toys that appeal to consumers but something completely different that, I assure Members, are not for the consumer market. Only sophisticated or institutional investors will be permitted to invest in insurance-linked vehicles.

From a policy perspective, it is important that London have the ability to establish insurance special purpose vehicles. London is the largest insurance market in Europe and is a centre for specialist insurance activity. Whether we like it or not, all Members face risks in their lives—indeed, all businesses face a range of risks. Insurance is a way to bring that risk down to a manageable level. London should be able to compete and innovate in new forms of risk mitigation. If London is able to offer a full range of innovative solutions, insurance entities will continue to come to London to meet their risk mitigation needs. I heartily hope that all Committee members support that.

Insurance-linked securities use a range of specialist skills and services to arrange the deals, including underwriting, risk modelling, brokerage, legal and capital market expertise. Nevertheless, Members are right to express concerns about the transparency and manageability of the risks, as well as about the importance of their being arranged by regulated entities, so it is important that I set out that insurance-linked securities business will be prudently regulated in the UK.

All special purpose vehicles will require Prudential Regulation Authority authorisation. All the wording in terms of the contracts must be clear and robust, and importantly risks cannot be bundled together in the way that the hon. Member for East Lothian feared. We require all special purpose vehicles to be fully funded to cover the full extent of the risk they take on, so we are not talking about the kind of very leveraged structures that he rightly said were so instrumental in the last financial crash.

I have said that only sophisticated or institutional investors will be permitted to invest in the vehicles. Of course, if they are arranged prudently—when someone is able to manage their risks prudently—those transactions will contribute to financial stability. They increase the capacity of the reinsurance markets. They provide investments that are not correlated with the economic cycle, and therefore they provide investors with good diversification characteristics. I hope that I have reassured hon. Members of the importance of clarifying the rules on transformer vehicles, but I sense that the hon. Gentleman has a further question on the issue.

Rob Marris: I am somewhat reassured by what the Minister has said. However, I would caution her about her remarks about innovation and the attractiveness of London, because I sat—either in this room or Committee Room 10—on the Finance Bill Committee when her predecessor, Ed Balls, was saying the same thing in 2006 and saying, "We are grateful that London is now the financial capital of the world, over New York, because we don't have the millstone of Sarbanes-Oxley." Look where that ended. Therefore, yes to innovation, and yes to London being the major financial centre in Europe, if not the world, but I urge the Government to be careful that we do not go round the same crazy merry-go-round that my Government let us go round in the past.

Harriett Baldwin: The hon. Gentleman and I agree on the importance of making sure that we try to strike the right balance. We must ensure that the UK retains the ability to innovate. I am sure that none of us would want to see that ability being reduced, but it should do that within the boundaries of sensible and prudent regulation, so that we do not commit the alternative policy error, which would be to throw up our hands in horror at the kinds of innovations that have happened and so harm consumers by not allowing that kind of innovation. It would harm jobs in the UK if such innovation were not allowed to happen here. I welcome hiss questions—he is absolutely right to ask them—but I hope that I have convinced him that, in this instance, we have got the balance right and that these are simply useful instruments that will be well regulated and certainly available only to sophisticated institutional investors.

Although there are no Government proposals to consolidate the Financial Services and Markets Act at the moment, consolidated versions—for the ease of reference of members of the Committee and members of the public who are following our discussions with such avid interest—are available on commercial databases, such as LEXIS, and the Government statute law database—legislation.gov.uk—is working to make up-to-date Acts of Parliament available free of charge on a consolidated basis to everybody.

I will move on to the questions that were asked about Pension Wise and pension guidance, and the important steps that we are taking to bring pension freedoms to those who are no longer required to buy an annuity but to extend them to people who have bought an annuity and who may decide in retrospect that it was not the right thing for them. We are promoting a secondary market in those pension freedoms.

To be clear, regarding the rules on beneficiaries—I am thinking of a situation where a spouse remains a beneficiary and there is a remaining annuity after the death of the primary annuitant—there might need to be the ability to provide Pension Wise guidance and other support to people in that circumstance. The exact characteristics of who is entitled to use the service will be set out in regulation in due course, as will the definition of a "relevant interest" and what a relevant annuity is.

10.30 am

The hon. Member for Wolverhampton South West asked, sensibly, about the good report produced by the Work and Pensions Committee towards the end of last year, to which the Government responded in the run-up to Christmas, and about the Pension Wise statistics. I understand that those statistics have been put on the performance website on gov.uk. He implies otherwise, so I will have to go back and check; I will write to him about where he can find them, should they be available.

Rob Marris: I am grateful. The statistics might be available on the website, but although I am an averagely competent user of websites I could not find them. They are therefore not readily available.

Harriett Baldwin: We have made huge strides with the gov.uk website, which is a lot clearer and simpler than it used to be, but let me be the first to agree with the hon. Gentleman that such things can always be made clearer. I have put on the record the most recent example of management information available, which is that 2.2 million people have clicked on the website, with more than 50,000 people having some sort of face-to-face interaction. Also, in the summer Budget last year we extended the ability of people from 50 onwards to use the face-to-face service.

Rob Marris: It is 2.2 million plus one, as of this morning.

Harriett Baldwin: The website is well used. The feedback on face-to-face interactions has also been positive.

John Mann (Bassetlaw) (Lab): Is not the clause a huge wasted opportunity? I can confidently predict that this will be the next major mis-selling scandal, which in five to 10 years' time will come to haunt us for failing properly to enact effective legislation. People will have thrown away their pensions, mis-sold to them by the industry for short-term gain. The advice, people have told me, is that they are liable to die so they had better get the money quickly in order to spend it before it disappears. That is the kind of mis-selling that is going on. The clause is a huge missed opportunity, is it not?

Harriett Baldwin: I sense that the hon. Gentleman does not welcome the freedoms that the Government are proud to have given British retirees. We no longer require them—this was the case for so long—to purchase an obligatory product that might not be right for them at the time. Indeed, the evidence suggests that two thirds of people were not shopping around to get the right price, so I accept that awareness and education are an important part of the reforms. I cannot agree with him that the reforms have not made a huge step forward in trusting people who have worked hard all their lives, saving their money, and they now have more freedom to do what they want with it.

Roger Mullin (Kirkcaldy and Cowdenbeath) (SNP): I have some sympathy with the comments of the hon. Member for Bassetlaw. May I press the Minister on the numbers she quoted? She said that 2.2 million people have accessed the website, leading to in excess of 50,000

[Roger Mullin]

to follow through with more detailed face-to-face guidance. If my arithmetic is correct, that is a conversion rate of only 2%. That is a matter of concern to a lot of people. The type of advice being made available at a detailed level means that we are not adequately helping the numbers of people seeking to use the freedoms. There is concern that many people are cashing in early for different reasons with a lack of understanding of the long-term implications.

Harriett Baldwin: Again, I could not agree more that we need to take a long, hard look at the provision of advice in this country. As the hon. Gentleman is aware, the financial advice market review was launched last summer and the consultation closed at the end of December. A large range of people have been supportive of the aspirations set out in the review to make advice more widely available and more affordable for all our constituents. It is an ongoing piece of work, and he should wait for more exciting announcements—*[Interruption.]* He and I share excitement about many things, including the leptokurtic distributions that came up the last time we were on a Committee together. Clause 27 is narrowly focused on extending the Pension Wise service to those who are going to be accessing the additional freedoms that will come into force next April in relation to the secondary market in annuities.

People have rightly asked me about scams, and I want to put it on the record that there is absolutely no complacency about the potential for scams. However, the numbers thus far do not support the case that there has been an increase. Some people have a constant desire to take advantage of people, particularly the vulnerable elderly, in many ways. Nobody should ever accept a telephone call about pensions from anybody unless they have a pre-booked appointment for such a discussion. The single most important thing that we can do to alert people to the horrendous activities of people who prey on the elderly is to get that message out in our constituencies. The over-65s are the victims of some 80% of all attempts at financial crime. They are less familiar with the technology and more vulnerable when someone sounds plausible on the telephone. If any Member wants to work with me to spread the message more widely in their constituencies, I will be wholeheartedly in favour.

John Mann: Will the Minister give way?

Harriett Baldwin: I will give way in a moment, but I first want to mention the National Crime Agency's Project Bloom, a taskforce that includes the regulators, anti-fraud groups, Action Fraud and police forces. The FCA also runs ScamSmart and the Pensions Regulator has its Scorpion campaign, both of which give advice to businesses and consumers in writing about how to protect against scams. Action Fraud is the UK's national reporting centre for fraud and internet crime. I am keen to work with hon. Members to see how we can get information disseminated widely in our areas.

John Mann: I thank the Minister for the offer to help her get the word out. We may be occupied with other things over the next four months, but, even beyond then, is it not Parliament's role to legislate for regulation? Anyone who is a conduit to information or puts out information should be effectively regulated. Instead of hoping that the word will somehow get out, the Minister should be introducing legislative changes in regulation to improve the system. A gentleman came to see me and said that he had less than a year to live and wanted to get hold of his pension. He came back a year later, having survived through the NHS, and was doubtless reassured that he did not need to fritter his pension away, hoping to spend it on trips around the world because he was about to die. We do not need to get the word out; we need regulation. Will the Minister come back with additional proposals?

Harriett Baldwin: Clearly, it is regrettable that although we often pass regulations in this House—this is a very regulated area—people still choose to prey on the vulnerable, particularly older people, and do things that are illegal and completely against the regulations. We ought to combine regulation with informing people about the regulations and when they should have their antennae twigged to the fact that something might not be a good idea.

The hon. Member for Wolverhampton South West raised a range of important points about auto-enrolment, the reports in *The Times* today and master trusts. I can let him into a little secret on that: the Government will bring in legislation on master trusts and on the points he raised as soon as practically possible. We had considered bringing it in as part of this piece of legislation, but we felt that since the Bill had gone through the House of Lords it would be very late on in the legislative process to introduce something as extensive as that. That was my judgment, and I hope that he will support me on that. However, we aspire to find very soon the first appropriate vehicle that could be scrutinised by both Chambers to bring in the regulations relating to master trusts and auto-enrolment.

Rob Marris: I thank the Minister very much for that swift response to my plea. It is perhaps one of my first successes, and now she has indeed set my pulse racing.

Harriett Baldwin: No comment, Mr Brady, on that. I am making sure that I cover all the points that were raised by members of the Committee. I am shocked—deeply shocked—that the hon. Member for Wolverhampton South West is not aware that the Royal Mint is in Cardiff and that it continues to produce all our coins. Indeed, Wales plays a very important role in the issuance of our currency. It does not play a role at the moment in the production of bank notes. Obviously, that lapsed when the last issuing bank in Wales was taken over by either HSBC or Lloyds—I cannot remember which—and got subsumed into that bank, and the bank lost this ability at that point.

To answer the hon. Gentleman's other questions about clause 31 and the reason for subsection (7), this provision is included in order to confirm that the amendments to the Financial Services and Markets Act 2000 (Appointed Representatives) Regulations 2001—a very catchy title—can be subject to further amendment by the Treasury if it comes to revise those regulations. That is to say that the fact that this secondary legislation is amended in the Bill does not narrow the scope of the Treasury's powers in the Financial Services and Markets Act. I hope that that is as clear as day for the hon. Gentleman. I would also like to clarify that the amendments set out in clause 31 are intended to remove any doubt on this question by making it clear that financial advisers who are appointed representatives of authorised firms are eligible to advise on the conversion or transfer of safeguarded benefits.

The hon. Gentleman also asked some extensive questions about what the definition of a bank in insolvency should be. The wider fact is that here we are establishing a gateway for the transfer of what might be extremely sensitive material—non-public information about the financial health of a particular bank—into the Treasury to ensure that the Treasury can fulfil its important public role of understanding where or when there might be a risk to public funds. That is what we are trying to establish here. It is right to probe the word "insolvency", because what we are really talking about is a bank in trouble. "In trouble" is a rather difficult phrase to define in legislation, but I think we both know it when we see it.

I was also asked whether the Treasury can request information in advance of a bank failing. The answer to that is clearly yes. The only condition would be that the Treasury considers the information to be material to the Bank's assessment of the likelihood of a bank, building society, credit union or investment firm failing. This assessment would be done in advance. It influences the resolution plan that the Bank adopts in preparation for a possible failure of the institution in future.

I think that I have now touched on all the points that were raised about this section. I hope that I have satisfied hon. Members of the wisdom of these clauses and that they will join me in supporting their inclusion in the Bill.

Question put and agreed to.

Clause 27 accordingly ordered to stand part of the Bill.

The Chair: I propose that, with the leave of the Committee, we take clauses 28 to 37 stand part as a single opportunity.

Clauses 28 to 37 ordered to stand part of the Bill.

Clause 38

Short title

10.45 am

Harriett Baldwin: I beg to move amendment 7, on page 33, line 25, leave out subsection (2).

The amendment removes the privilege amendment set out in subsection (2). As hon. Members will be aware, this provision is inserted into any Bills that start in the other place and have implications for taxes or public funds. This recognises that it is the right of this House to control any charges on the people and on public funds. By providing that nothing in the Bill imposes such a charge, subsection (2) ensured that the House of Lords did not infringe the financial privilege of this House. However, that is no longer necessary when the Bill passes to this House, so the usual practice is for the provision to be removed by amendment in Committee in this House—I love this job; I learn something new every day. I commend the amendment to the Committee.

John Mann: What a palaver, when we have Governments bringing in Bills via a group of entirely appointed peers—or, in 92 cases, birth-designated peers—and then having to amend the legislation precisely because it has been brought in by a group of unelected people. Parliament should initiate all legislation through the House of Commons. All Governments, whatever their colour or persuasion, and whatever crisis they may be in at any time, should use the House of Commons, the elected Chamber, when bringing forward legislation.

There is only one other place in the world where this happens, and that is China. All other countries that have second Chambers, or part-appointed second Chambers, do not allow legislation to be formulated through them. Even the states of the former Soviet Union, now disintegrated into 16 countries, which have, and love to have, this patronage power that we retain, do not allow their second Chambers to initiate legislation. So this country—and now this Government—and China are the only two places where that happens.

It seems absurd that in the place where democracy is centred, which is dear to all our hearts at the current time, and therefore very important—and this is getting to the fore of the public's attention—Governments are initiating legislation through the House of Lords. I suggest that they should not do so. The absurdity of having to amend legislation because they have done so would then no longer be needed. Let us therefore hope that this is the last time that such an absurd position is reached in Parliament.

Amendment 7 agreed to.

Clause 38, as amended, ordered to stand part of the Bill.

The Chair: We now come to new clauses, some of which have already been debated in our proceedings, but new clause 1 has not.

New Clause 1

Illegal money lending

(1) The Financial Services and Markets Act 2000 is amended as follows.

(2) After Part 20A insert—

"Part 20B

Illegal Money Lending

333S Financial assistance for action against illegal money lending

(1) The Treasury may make grants or loans, or give any other form of financial assistance, to any person for the purpose of taking action against illegal money lending.

(2) Taking action against illegal money lending includes—

(a) investigating illegal money lending and offences connected with illegal money lending;

(b) prosecuting, or taking other enforcement action in respect of, illegal money lending and offences connected with illegal money lending;

(c) providing education, information and advice about illegal money lending, and providing support to victims of illegal money lending;

(d) undertaking or commissioning research into the effectiveness of activities of the kind described in paragraphs (a) to (c);

(e) providing advice, assistance and support (including financial support) to, and oversight of, persons engaged in activities of the kind described in paragraphs (a) to (c).

(3) A grant, loan or other form of financial assistance under subsection (1) may be made or given on such terms as the Treasury consider appropriate.

(4) 'Illegal money lending' means carrying on a regulated activity within Article 60B of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544) (regulated credit agreements) in circumstances which constitute an authorisation offence.

333T Funding of action against illegal money lending

(1) The Treasury must, from time to time, notify the FCA of the amount of the Treasury's illegal money lending costs.

(2) The FCA must make rules requiring authorised persons, or any specified class of authorised person, to pay to the FCA specified amounts, or amounts calculated in a specified way, with a view to recovering the amount notified under subsection (1).

(3) The amounts to be paid under the rules may include a component to recover the expenses of the FCA in collecting the payments ('collection costs').

(4) Before the FCA publishes a draft of the rules it must consult the Treasury.

(5) The rules may be made only with the consent of the Treasury.

(6) The Treasury may notify the FCA of matters that they will take into account when deciding whether or not to give consent for the purposes of subsection (5).

(7) The FCA must have regard to any matters notified under subsection (6) before publishing a draft of rules to be made under this section.

(8) The FCA must pay to the Treasury the amounts that it receives under rules made under this section apart from amounts in respect of its collection costs (which it may keep).

(9) The Treasury must pay into the Consolidated Fund the amounts received by them under subsection (8).

(10) In this section the 'Treasury's illegal money lending costs' means the expenses incurred, or expected to be incurred, by the Treasury—

(a) in connection with providing grants, loans, or other financial assistance to any person (under section 333S or otherwise) for the purpose of taking action against illegal money lending;

(b) in undertaking or commissioning research relating to taking action against illegal money lending.

(11) The Treasury may by regulations amend the definition of the 'Treasury's illegal money lending costs'.

(12) In this section 'illegal money lending' and 'taking action against illegal money lending' have the same meaning as in section 333S."

(3) In section 138F (notification of rules), for "or 333R" substitute ", 333R or 333T".

(4) In section 138I (consultation by FCA)—

(a) in subsection (6), after paragraph (cb) insert—

"(cc) section 333T;";

(b) in subsection (10)(a), for "or 333R" substitute ", 333R or 333T".

(5) In section 429(2) (regulations subject to affirmative procedure), for "or 333R"

substitute ", 333R or 333T".

(6) In paragraph 23 of Schedule 1ZA (FCA fees rules)—

(a) in sub-paragraph (1) for "and 333R" substitute ", 333R and 333T";

(b) in sub-paragraph (2ZA)(b) for "section 333R" substitute "sections 333R and 333T".—*(Harriett Baldwin.)*

This new clause gives the Treasury power to make grants and loans, and provide other financial assistance, for the purpose of taking action against illegal money lending. It provides for certain Treasury costs relating to illegal money lending to be recovered from authorised persons by a new levy, administered by the FCA.

Brought up, and read the First time.

Harriett Baldwin: I beg to move, That the clause be read a Second time.

The new clause gives the Treasury a power to provide financial assistance to bodies for the purpose of taking action against illegal money lending. It also gives the Financial Conduct Authority an obligation to raise a levy, which will apply to consumer credit firms, in order to fund that assistance. Illegal moneylenders prey on some of the most vulnerable people in society. The new clause will ensure that the perimeter of the consumer credit market continues to be enforced effectively, and that vulnerable consumers remain protected from loan sharks.

The Government have fundamentally reformed consumer credit regulation, transferring the responsibility from the Office of Fair Trading to the Financial Conduct Authority, and we have ensured that the FCA has a wide enforcement toolkit to take action where its rules are breached. The FCA regime is already having a substantial positive impact, which is helping to deliver the Government's vision for an effective and sustainable consumer credit market that meets consumer needs. However, the FCA is not best placed to investigate and enforce certain types of illegal money lending such as the type practised by loan sharks.

Loan sharks are currently investigated and prosecuted by the England and Wales illegal money lending teams and the Scottish Illegal Money Lending Unit. Those teams are made up of local trading standards officers who accordingly have broader powers than the FCA to prosecute the particular criminality that loan sharks are involved with, and relevant expertise in educating vulnerable consumers. They are also able to draw on geographically dispersed community intelligence officers who are crucial in identifying localised illegal lenders. The teams work alongside the FCA in policing the regulatory perimeter specifically to target loan sharks and to provide support and advice to the victims of illegal moneylenders. They also help educate local communities about the dangers of borrowing money from loan sharks.

The teams have been identified as the most efficient and effective way of combating loan sharks and they have a proven track record. The England and Wales teams have secured hundreds of prosecutions for illegal money lending and related activity and have written off £55 million-worth of illegal debt, helping nearly 24,000 people in the process.

Funding will be provided by the Treasury via a levy on consumer credit firms, which will be collected by the FCA. The Government believe that all participants in the consumer credit market benefit from the teams' work and the credibility that comes from keeping illegal moneylenders out of the market. The current cost of the enforcement regime is about £4.7 million a year, so the cost to individual firms in the £200 billion consumer credit market is anticipated to be small. The FCA will consult on how the levy will be collected in its annual fees consultation.

The Government want a safe and fair regulatory framework for consumer credit that protects consumers from harm. As part of that, it is important that the market's boundary is adequately policed. The illegal money lending teams provide crucial support to the FCA's work in effective enforcement in the regulatory perimeter, which boosts confidence in the market. The new clause will ensure that funding for the enforcement of rules against illegal money lending is given a sustainable framework for the future and that the illegal money lending teams will continue to receive the funding they need to do their work. I hope that all hon. Members will support this move

John Mann: This is a most excellent new clause, which I hope my hon. Friend the Member for Leeds East and I will be able to use against those who may be doing illegal money lending in sports in the Leeds area. It prompts an interesting question, because the powers on claims handlers—the other side of consumer protection—are not vested in the Treasury. We would not expect them to be. They are vested in the Ministry of Justice, but here we see a power grab by the Treasury. We have the Chancellor versus the Justice Secretary, with the two battling for power. I appreciate that that may cause some concern and divided loyalty. It is essential, in supporting this new clause, that I give my wholehearted support to the Chancellor in his power grab. The Treasury, not the Ministry of Justice, is the best place for powers such as this to be vested in.

Should the Bill become law, I hope that the Minister will go back to the Treasury team and look at other powers that have been grabbed by the Ministry of Justice under previous Governments and used appallingly badly in protecting the people, from my experience—the coalminers' compensation claim scandal being the prime, but certainly not the only, example. Let us have the Treasury take on those who fleece our constituents out of money, with the full might of the Chancellor, strongly supported by his party's Back Benches—he is even more strongly supported on some matters these days by the Labour Benches. On this occasion, he has my entire endorsement in his battle against the Justice Secretary.

Rob Marris: What a pleasure it is to follow my hon. Friend. It is an historic moment when he is fully backing the Chancellor of the Exchequer.

My hon. Friend talks about power grabs, but I must say that I do not think it is just the Ministry of Justice involved in this area; it is the Department for Communities and Local Government and the Department for Business, Innovation and Skills as well, with which this overlaps. The fact that this is a cross-cutting area is perhaps another reason why it would be logical for the Treasury to have these powers.

Labour Members welcome the stability of funding. I am grateful to John Ludlow, who works in the office of my hon. Friend the Member for Makerfield (Yvonne Fovargue), for giving me some background information, of which I was not fully aware, on the lack of stable funding for the inelegantly named illegal money lending teams. There is one such team based just down the road from me in Birmingham. They work in England and Wales and have a relationship with trading standards, as has been mentioned—hence my reference to the DCLG. I understand that since 2004, when the teams were established, more than 26,000 victims of illegal money lending have been helped, with £62 million of illegal debt written off and 300 loan sharks prosecuted.

I say indirectly to the Ministry of Justice and to the Chancellor of the Exchequer that some of this stuff is rather simpler than is made out, in terms of the relationship with trading standards. Under section 21 of the Theft Act 1968, blackmail is a common-law criminal offence when someone makes "unwarranted demand" for money "with menaces". The Minister quite properly referred to illegal moneylenders as loan sharks; that is the vernacular, which we all understand. As a description, "loan shark" highlights rather better what almost always goes on: behind illegal money lending is a pattern of people saying, "If you don't pay up, you'll suffer a physical injury." Those are the menaces.

The 1968 Act is an elegantly worded piece of legislation. Section 16 of that Act, which is sadly now gone, is on obtaining pecuniary advantage by deception. Section 1 of the Act, which still obtains, has a wonderful definition of theft. It was a great piece of legislation in terms of its wording. New clause 1 is not quite so elegant. It refers in proposed new section 333T(1) to

"the amount of the Treasury's illegal money lending costs."

That is a bit inelegant, because what it means is the amount of the Treasury's anti-illegal money lending costs. The Treasury has costs associated with illegal money lending, but I hope it does not have any illegal money lending costs. The new clause is inelegantly worded but, to be fair, we know what it means and we have had a helpful explanation from the Minister.

11 am

The new clause is about blackmail and introducing a levy. Our reservation is that the funding for the anti-illegal money lending teams will come from a levy. We welcome the stability of funding that they will enjoy under new clause 1. However, the funding should come from general taxation. The levy, presumably to raise £4.7 million out of the £200 billion turnover to which the Minister referred, will effectively fall, refracted through the lenders, on individuals. It is another example of the good guys—

people who get money from non-loan sharks—subsidising the bad guys, the illegal money lending operators. It would be more progressive to have stable funding, which I hope all Members would like the anti-illegal money lending teams to have, from general taxation, not indirectly from a levy on consumers in the market.

Consumers who cross-subsidise—the good subsidising the bad—are the people who are less financially advantaged; otherwise they would not be borrowing money in that £200 billion marketplace to begin with. I hope the Minister will be able to explain why the funding is coming from, in a sense, hypothecated taxation. Of course, most Chancellors of the Exchequer do not like the idea of hypothecated taxation, so they dress it up as something else, or call it something else: in this case a levy.

On a minor technical point, new section 333T(10)(a) states:

"in connection with providing grants, loans, or other financial assistance to any person (under section 333S or otherwise)".

Will the Minister explain what "otherwise" in that context might be?

Harriett Baldwin: Mr Brady, you were here when the hon. Member for Bassetlaw agreed with something that I said. I am sure you will go home and remark on that historic moment in your diary tonight. He is absolutely right in his support for this approach to putting the funding for these important teams on a more sustainable footing. I do not want to be in the least bit confrontational on this historic occasion, but I will gently correct him.

The funding for the teams that tackle illegal money lending has previously come, because it is a trading enforcement matter, through BIS, so they were paid for out of general taxation through the BIS budget. We took the view, as we went through the different alternatives in terms of the comprehensive spending review for the autumn statement, that that meant the funding for a very important activity was constantly being questioned. One year it was funded from the Treasury reserve as well. So the levy is a way of putting the funding for this important activity on a sustainable footing in a way that will be spread judiciously across the wide range of different consumer credit firms. The hon. Gentleman argues that it does not seem fair, given that they are regulated, for them to have to pay the costs of enforcement against illegal moneylenders, but all regulated firms benefit from the fact that they are within the regulated perimeter, and that the perimeter itself is robustly enforced.

We do not anticipate that there will be anything other than widespread acclaim, as we have heard this morning in Committee, for putting these incredibly important and valuable teams out of that perennial uncertainty that they have had in terms of funding and into a more sustained and clear source of funding. I commend the new clause.

Question put and agreed to.

New clause 1 accordingly read a Second time, and added to the Bill.

New Clause 7

Early exit pension charges

(1) The Financial Services and Markets Act 2000 is amended as follows.

(2) After section 137FBA (as inserted by section 30) insert—

"**137FBB FCA general rules: early exit pension charges**

(1) The FCA must make general rules prohibiting authorised persons from—

(a) imposing specified early exit charges on members of relevant pension schemes, and

(b) including in relevant pension schemes provision for the imposition of specified early exit charges on members of such schemes.

(2) The rules must be made with a view to securing, so far as is reasonably possible, an appropriate degree of protection for members of relevant pension schemes against early exit charges being a deterrent on taking, converting or transferring benefits under the schemes.

(3) The rules may specify early exit charges by reference to charges of a specified class or description, or by reference to charges which exceed a specified amount.

(4) The rules made by virtue of subsection (1)(a) must prohibit the imposition of the charges after those rules come into force, whether the relevant pension scheme was established before or after those rules (or this section) came into force.

(5) In relation to a charge which is imposed, or provision for the imposition of a charge which is included in a pension scheme, in contravention of the rules, the rules may (amongst other things)—

(a) provide for the obligation to pay the charge to be unenforceable or unenforceable to a specified extent;

(b) provide for the recovery of amounts paid in respect of the charge;

(c) provide for the payment of compensation for any losses incurred as a result of paying amounts in respect of the charge.

(6) Subject to subsection (8) an early exit charge, in relation to a member of a pension scheme, is a charge which—

(a) is imposed under the scheme when a member who has reached normal minimum pension age takes the action mentioned in subsection (7), but

(b) is only imposed, or only imposed to that extent, if the member takes that action before the member's expected retirement date.

(7) The action is the member taking benefits under the scheme, converting benefits under the scheme into different benefits or transferring benefits under the scheme to another pension scheme.

(8) The Treasury may by regulations specify matters that are not to be treated as early exit charges for the purposes of this section.

(9) For the purposes of this section—

'charge', in relation to a member of a pension scheme, includes a reduction in the value of the member's benefits under the scheme;

'expected retirement date', in relation to a member of a pension scheme, means the date determined by, or in accordance with, the scheme as the date on which the member's benefits under the scheme are expected to be taken;

'normal minimum pension age' has the same meaning as in section 279(1) of the Finance Act 2004;

'relevant pension scheme' has the same meaning as in section 137FB;

and a reference to benefits includes all or any part of those benefits."

(3) In section 138E(3) (contravention of rules which may make transaction void or unenforceable)—

(a) omit the "or" at the end of paragraph (a);

(b) at the end of paragraph (b) insert "or

(c) rules made by the FCA under section 137FBB.".—*(Harriett Baldwin.)*

This new Clause requires the Financial Conduct Authority to make rules prohibiting specified charges from being imposed on members of pension schemes who take, convert or transfer pension benefits after they have reached normal minimum pension age but before their expected retirement date.

Brought up, and read the First time.

Harriett Baldwin: I beg to move, That the clause be read a Second time.

Government new clause 7 places a duty on the Financial Conduct Authority to limit early exit charges, which act as a deterrent to people accessing their pensions early under the new pension freedoms, thus fulfilling a commitment that the Chancellor of the Exchequer made recently.

The Government introduced the pension freedoms in April 2015 because we believe that people who have worked hard and saved their entire life should be free to spend their retirement savings as they want. At that time, the Government wanted to ensure that everyone who was eligible could access their pension flexibly under the new freedoms, and they therefore strengthened the statutory right of members in defined contribution schemes so that people could, in all cases, transfer their pension savings from one scheme to another.

Following the introduction of the freedoms, it became increasingly clear that other barriers, including early exit charges and long transfer times, were preventing some people from using them. Evidence gathered for the Government by the FCA has shown a small but nevertheless significant cohort in contract-based schemes for whom early exit charges pose a barrier to their use of the freedoms. Some 670,000 people in FCA-regulated schemes face an exit charge, and for 66,000 of them—one in 10—the charge would exceed 10% of the value of their pension pot. In some cases, the charges could be high enough to make it uneconomical for an individual to access their pension flexibly, while in others the presence of an early exit charge could act to discourage individuals from accessing their pension, when that might be the best thing to do in their circumstances. It is therefore clear that the Government's objective of ensuring that everyone who is eligible is able to access their pension savings flexibly is not being met, and that action is needed to ensure that all consumers are able to make use of the freedoms.

To ensure that the cap benefits current consumers who are eligible to use the freedoms now, the Government will ensure that any cap applies equally to existing arrangements and to those entered into in the future. The Government have not taken the decision to pursue legislation with retrospective effect lightly, and we recognise industry concerns about interference with existing contractual agreements. We have already made it clear that market value reductions should not be subject to the cap on early exit charges. However, in the Government's view it is unfair that a significant minority of individuals have been deterred from accessing their pensions flexibly because of contractual terms they entered into long before the freedoms were introduced. Indeed, some providers have conceded that industry practices have moved on, and that the introduction of the pension freedoms means that the charges pose a much more significant barrier now than when they were first agreed. Fairness is not determined solely by reference to whether it was acceptable to include a term in a pension contract many decades ago; it should also be assessed in light of the reforms and changes in market practice over time.

In the context of the new pension freedoms, it is unfair that some individuals are being deterred from accessing their pensions flexibly because of terms in contracts from before the pension freedoms were introduced. Those people would not have been in a position to make an informed decision about potential early exit charges when they signed up, and that is why we have introduced the clause, to limit the charges and remove the deterrent.

In giving the FCA, as the relevant regulator, the flexibility to determine the precise level of the cap, we are ensuring that fairness is built into the setting of any cap. The FCA is best placed to determine how best to apply any cap, to ensure that early exit charges are not a deterrent to individuals using the freedoms. The new clause will provide consumers in contract-based pension schemes with genuine protection when exercising the pension freedoms, by ensuring that they are not deterred by early exit charges. Alongside that measure, which will apply to FCA-regulated pension schemes, the Department for Work and Pensions and the Pensions Regulator will work to ensure that any relevant concerns are appropriately addressed for trust-based schemes. We will ensure that all pension scheme members are protected against excessive early exit fees, regardless of the type of pension scheme they are in. I commend the new clause to the Committee.

Rob Marris: I am glad that the Chancellor has come on board fully. The Prime Minister did so yesterday; he came on board with Labour's manifesto commitments on the European Union—good for him. The 2015 Labour manifesto said:

> "We will reform the pensions market so that pension providers put savers first, and protect consumers from retirement rip-offs. We support greater flexibility for those drawing down their pension pots, but there must be proper guidance for people to avoid mis-selling."

We have already discussed pension guidance and the welcome amendments on Pension Wise.

I have several issues to raise with the Minister. Paragraph 2.16 of the Government's response to the consultation document on pension transfers and early exit charges referred to "further cost-benefit analysis" from the FCA

> "in relation to the appropriate level of any cap."

Can the Minister tell me—my research has not extended this far—whether the FCA has done that research? I gather from her remarks that it has not yet done so, but I may have misunderstood her. If it has done it, when was it done and published? If it has not, when does she anticipate that it will be done?

Can the Minister say something—again, I may have missed this in her remarks—about what she anticipates the level of the cap will be? She referred to the shocking 10% charges that some people have unfortunately been asked for on requesting a transfer. A press release from a couple of weeks ago referred to speeding up the process and to things being done "quickly and accurately". I do not see any reference in new clause 7 to the timescale, although there is a reference to the cap, so I hope the Minister can elucidate that.

The bigger issue—again, this may be my reading of new clause 7—is that the Government seem to be conflating two things in the wording of the new clause. The Minister's

[Rob Marris]

remarks did not reassure me about that. The first is the penalty for moving. One of the reasons why I signed up to Equitable Life years ago—what a great deal that was—is that it had what was then called an open-market option, which was unusual in defined purchase schemes at that time. It was attractive because it meant that decades down the road I would have the option of buying an annuity from a provider other than Equitable Life. It was not the only provider to offer such a scheme, but it was unusual; it was in the minority. That was back in the ’80s, when I was a very young man. Some schemes had a ban on moving—that has effectively been statutorily overridden—and others had penalties.

The other thing, which I fear that the Government have conflated with the first in their wording—perhaps the Minister can reassure me about this—is what in the trade used to be called an actuarial reduction. In other words, if the normal retirement age for the pension scheme is 65, as it is in the House of Commons scheme, to which many hon. Members have signed up, but someone takes it at 60—above the statutory age of 55; it used to be 50—in round terms they take a 50% reduction in the annual pension. Keeping it simple, instead of getting £10,000 a year from the age of 65, they get £5,000 a year from the age of 60 because they are getting it for an extra five years. It is not exactly 50%, but as a rule of thumb it is about 5% a year for taking it early, so if someone takes it at 55 they lose 50% of their pension. That is not, to most people’s minds, a penalty. Because people get the dosh for longer, they get a smaller annual amount. We could have a debate about whether 5% a year is mathematically accurate, with life expectancy and so on, but in terms of the principle and the concept that people lose pension because they have started to take it below the normal retirement age there is that actuarial reduction.

11.15 am

I spend a lot of time reading this stuff, and I may have misread new clause 7, but on the face of it those two things—the penalty for moving and the actuarial reduction for taking the pension early—are conflated, because it mentions “charges”, “expected retirement date” and so on. Will the Minister unbundle those two in the new clause? I think that most if not all hon. Members would agree with the principle that penalising people for moving beyond a certain level of administrative costs is just not on, and 10% has got to be way more than the administrative costs, unless the pot is tiny. Absolutely, agreed, those penalties can in some cases be too high, so legislation is good. For legislation to stick its nose into actuarial reduction, however, is a bit different and a bit difficult.

John Mann: May I disagree with my Front-Bench colleagues on their analysis? I have exactly the same question, but I am anticipating that this is a listening Chancellor—not least to the very point I made to him in the Treasury Committee three years ago, which he rebuffed in his stylistic way in giving a non-answer. I am seeking to clarify whether he is the listening Chancellor and that this is a bit of a roll, so that I can back him again, because he has listened to me on the issue, which I raised in some detail, including in correspondence and in other questions. At the time I did not get a sufficiently satisfactory response. This could be a significant moment. I am hoping that the Minister will clarify that the power being given to the FCA will be all-encompassing and include all ways of ripping off our pensioners, including the couple from Clayworth in Bassetlaw who first raised the issue with me some three and a half years ago.

Harriett Baldwin: I want to put on record that of course the Chancellor is a listening Chancellor. I am delighted that some of that listening includes listening to the hon. Gentleman, whose views on pasties I remember the Chancellor also listened to at one time. I see why his Whips put him on the Committee—because of his extensive and deep knowledge of so many of these things.

Let us face it, the topic of pensions can cause people’s eyes to glaze over—not of course those of hon. Members in Committee, but potentially those of people avidly reading the record in *Hansard*—so I want to clarify that the pension freedoms apply to defined contribution schemes. Those regulated by the FCA are covered by the new clause. The hon. Member for Wolverhampton South West asked about actuarial reductions, but schemes such as those that most Members of Parliament are members of are in the defined benefit section of the market. That is presumably why he has not found the language clear enough; the new clause does not apply to defined benefit schemes. In cases where actuarial reductions might be applied unfairly, we think it is important for the FCA to be given flexibility in the new clause.

The hon. Gentleman asked about the level of the cap. It is important to emphasise how well and constructively the industry has been working with the new pension freedoms to enable hundreds of thousands of people to take advantage of the freedoms. It is worth citing how excellent, innovative and adaptive many firms have been with the new freedoms, which came in with a degree of rapidity. However, there were some cases—I cited the example of a 10% cap—where charges were clearly egregious. The FCA will do further work in this area, in terms of its cost-benefit analysis process, but there have been efforts to collect evidence of the scale of the charges. In the vast majority of cases—I think that I am right in saying, off the top of my head, more than 90%—the charges have been under 2%. The industry, by and large, has worked very well with the reforms; I do not want people to get the impression that it has not. However, we think that where there are unreasonable barriers, in terms of charges that we would all regard as outrageous, the FCA is right to have these powers.

There will be cases in which, when someone removes their pension, the provider is right to apply a market value reduction, to readjust the value of the fund properly to reflect the performance of the market. Not all funds mark to market on a daily basis. We would not regard that as an early exit charge. It is right that market value reductions are specifically excluded from the new clause.

I hope that by answering all those questions, I have satisfied the Committee that this is another excellent clause from a listening Chancellor, and I commend it to the Committee.

Question put and agreed to.

New clause 7 accordingly read a Second time, and added to the Bill.

New Clause 3

Nomination of the Chief Executive Officer of the Prudential Regulation Authority: parliamentary oversight

"The Chancellor of the Exchequer shall not nominate a person as Chief Executive Officer of the Prudential Regulation Authority without the consent of the Treasury Committee of the House of Commons."—*(George Kerevan.)*

Brought up, and read the First time.

George Kerevan: I beg to move, That the clause be read a Second time.

We on the SNP Benches believe that senior regulators and those charged with supplying independent advice to Government should be independent of the Executive and that the best way of achieving that is to have their appointments confirmed by Parliament. In the case of the PRA, we are suggesting that that should be done through the Treasury Committee. The principle has already been conceded by Government. The head of the Office for Budget Responsibility is confirmed by the Treasury Committee, so in a sense we are simply trying to widen that remit. We have chosen to begin with the head of the PRA, because major changes in the Bill involve the Bank and its relationship to the PRA. Also, Mr Andrew Bailey, the current head of the PRA, is moving on to the FCA, so sometime this year we will indeed be appointing a new head of the PRA.

The principle is simple. This is about the way in which we guarantee the independence of the regulator from the Executive. We accept that the Executive—the Chancellor, in this case—is the correct person to make the nomination, but the way we guarantee the independence of the regulator is to give them a wider base through confirmation by Parliament. Then, if there is ever a conflict between the regulator and the Executive, the regulator can fall back on the fact that they are there, having been confirmed by Parliament. That simple principle is accepted all round the world and, as I said, is already accepted with regard to the OBR.

I hope that the Government will accept this proposal; I hope that the principle is a broad enough one, but I stress that the aim is not to make the regulator in any sense a political figure, but to go in the opposite direction.

We have had some concerns in the last few months regarding the independence of the FCA. We will say no more about that. The point is that the issue of the independence of regulators is in the public arena. The best way for the Government to allay some of those fears is to accept the new clause.

11.25 am

The Chair adjourned the Committee without Question put (Standing Order No. 88).

Adjourned till this day at Two o'clock.