PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

FINANCIAL SERVICES BILL

Twelfth Sitting

Thursday 3 December 2020

(Afternoon)

CONTENTS

New clauses considered.
Bill, as amended, to be reported.
Written evidence reported to the House.

PBC (Bill 200) 2019 - 2021

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Monday 7 December 2020

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The Committee consisted of the following Members:

Chairs: Philip Davies, † Dr Rupa Huq

† Baldwin, Harriett *(West Worcestershire)* (Con)
† Clarkson, Chris *(Heywood and Middleton)* (Con)
† Creasy, Stella *(Walthamstow)* (Lab/Co-op)
† Davies, Gareth *(Grantham and Stamford)* (Con)
Eagle, Ms Angela *(Wallasey)* (Lab)
† Flynn, Stephen *(Aberdeen South)* (SNP)
† Glen, John *(Economic Secretary to the Treasury)*
† Jones, Andrew *(Harrogate and Knaresborough)* (Con)
† McFadden, Mr Pat *(Wolverhampton South East)* (Lab)
† Marson, Julie *(Hertford and Stortford)* (Con)
† Millar, Robin *(Aberconwy)* (Con)
† Oppong-Asare, Abena *(Erith and Thamesmead)* (Lab)
† Richardson, Angela *(Guildford)* (Con)
† Rutley, David *(Lord Commissioner of Her Majesty's Treasury)*
† Smith, Jeff *(Manchester, Withington)* (Lab)
† Thewliss, Alison *(Glasgow Central)* (SNP)
† Williams, Craig *(Montgomeryshire)* (Con)

Kevin Maddison; Nicholas Taylor, *Committee Clerk*

† attended the Committee

Public Bill Committee

Thursday 3 December 2020

(Afternoon)

[Dr Rupa Huq *in the Chair*]

Financial Services Bill

2 pm

The Chair: Just a word of warning—we are a little bit behind time. There are still 11 groups of amendment on the selection paper to debate. We have the room until 5 pm, but I think there were some murmurings about moving that forward a bit. Hint hint: if we make progress, that would help.

Mr Pat McFadden (Wolverhampton South East) (Lab): Forgive me, Dr Huq. I might have got this wrong, but I think there might be one more vote on the previous group before we move on.

The Chair: When we reach it on the amendment paper, so not quite yet.

New Clause 8

Money laundering: electronic money institutions

'(1) The Proceeds of Crime Act 2002 is amended as follows.

(2) In section 303Z1(1) after "bank" insert ", authorised electronic money institution".

(3) In section 303Z1(6) after "Building Societies Act 1986;" insert—

""authorised electronic money institution" has the same meaning as in the Electronic Money Regulations 2011."

(4) In section 340(14)(b) after "Bank" insert ", or

(c) a business which engages in the activity of issuing electronic money".'—*(Abena Oppong-Asare.)*

This new clause would update definitions in the Proceeds of Crime Act 2002 to reflect the growth of financial technology companies in the UK by equalising the treatment of fin tech companies with banks on money laundering and Account Freezing Orders.

Brought up, and read the First time.

Abena Oppong-Asare (Erith and Thamesmead) (Lab): I beg to move, That the clause be read a Second time.

It is a pleasure to have you chairing this sitting, Dr Huq. I rise to speak in favour of new clause 8, which would be good for consumers. *[Interruption.]* I see that the Minister is agreeing with me—or, at least, he is smiling with me—so I think we are almost getting there.

This new clause would be good for Britain's world-leading FinTech sector. At the same time, it will improve the ability of our crime prevention agencies to do the job that we all want them to do—that is, to crack down on criminal activity and, in this case, money laundering. It would achieve those objectives by updating definitions in the Proceeds of Crime Act 2002 to ensure that customers of FinTech are treated in the same way as customers of traditional banks with regard to anti-money laundering provisions and account freezing orders. These outcomes would help. We have tabled this new clause because this is an opportunity in the Bill to address the technical deficiencies in the anti-money laundering regime; it is not political in nature. We hope that the new clause will therefore receive cross-party support, as we believe that we are all united in our desire to clamp down on money laundering.

The need for this new clause has arisen because outdated definitions in the Proceeds of Crime Act 2002 are disadvantaging customers, placing unnecessary pressure on law enforcement, and could allow suspected criminals to avoid complying with law enforcement requirements to forfeit illicit funds. Simply put, this legislation was written before FinTechs existed, and we really need to look at updating the law now because so many people use them. I understand that there is considerable support from the sector and law enforcement for updating the relevant definitions in the Proceeds of Crime Act to reflect the growth of FinTechs, and the passage of the Bill provides the ideal opportunity to do so. We need to act now by amending the Bill, rather than waiting for dedicated legislation, because the problems for consumers, the sector and our crime agencies are getting worse due to the rapid growth of the FinTech sector. I hope that the Minister will therefore accept this simple, highly targeted and rather uncontroversial new clause.

Let me turn to the details. The new clause fixes two specific problems. First, it updates the legislation relating to the defence against money-laundering processes. The second problem relates to account-freezing orders. Under the existing legislation, when financial services firms suspect that someone is engaged in money laundering, it is normal practice for their account to be frozen and for an appropriate decision to be made as to what should be done with the funds, which might include, for example, returning them to source. However, in order legally to be able to return the funds to source, the regulated firm is required to request a legal defence from the National Crime Agency—the so-called defence against money laundering, or DAML—to carry out this activity. DAMLs take two weeks to process. During this period, firms cannot even communicate with customers or allow them to withdraw funds. As we know, the covid pandemic is a particularly difficult period for a lot of consumers.

For reasons of practicality, an exemption was introduced in 2005 such that banks do not request a DAML if the transaction they are to carry out is below £250, but the FinTech sector did not exist at that time so the exemption does not apply to it. Electronic money institutions—that is what most FinTechs are regulated as—are still required to request DAMLs for all transactions, even those of a low value. Low-value DAMLs do not provide useful intelligence to the NCA. I understand that when the UK Financial Intelligence Unit reviewed a sample of 2019-20 DAMLs, it found no refusals for requests under £250.

The rapid growth in the FinTech sector and its inability to use the £250 exemption means that the number of DAMLs has grown from 15,000 in 2015-16 to 34,000 in 2018-19 and 62,000 in 2019-20. According to the NCA's recently published annual report, the most significant growth was seen from financial technology companies. The report says that such firms submitted 32,454 DAMLs

and suspicious activity reports, which is up 247.36% from the previous year, when there were 9,343. The number of DAMLs will continue to grow rapidly until the threshold is extended to EMIs.

That rapid growth is placing significant pressures on FinTechs, customers and law enforcement. For example, a recent article in *The Times* showed that many customers have their accounts locked out for extended periods. More worryingly, the head of the UK Financial Intelligence Unit, Ian Mynot, told the *Financial Times* last week that unnecessary DAML reports are affecting the NCA's ability to investigate criminals. I am sure the Committee will agree that that is really worrying. The article says:

> "The…National Crime Agency has called for deeper reform of the system for flagging potential money laundering"

There are concerns out there; it is not just Opposition Members who are concerned.

I am concerned that FinTechs have to spend significant amounts of time and money sending requests to the NCA, which provides the agency with extra admin and work that it does not want to do. That time and money could be used to build new products and services that would benefit customers and businesses and therefore be more cost-effective.

Subsection (4) of the new clause would extend the DAML threshold eligibility to electronic money institutions. When the Minister replies, will he give his assessment of how many DAMLs have been submitted this year and, of those, how many have been for sums under £250? Are the numbers now in the tens of thousands? How many DAMLs for sums under £250 have been refused in the past year? Is it zero? If so, what was the associated cost to the economy of all that unnecessary paperwork, not to mention the diversion of law enforcement resources from proactive investigation to dealing with administration and the intangible costs and frustrations to customers who have had their accounts frozen with no reason given? What is the Minister's estimate of the amount of time and money FinTechs have expended on submitting DAMLs that the NCA does not want? Does that put the UK FinTech sector at a competitive disadvantage? I realise I am asking a lot of questions, but I have just a few more. How many DAMLS does the Minister expect to be submitted in each of the next three years if the definition in POCA is not updated through the Bill?

Before moving on, Dr Huq, it is worth pointing out that the new clause does not affect the parallel requirement for regulated firms to submit suspicious activity reports to the NCA every time a firm knows or suspects that someone is engaged in money laundering, regardless of the sums involved. I reassure hon. Members that the new clause would not change the SAR process. Does the Minister think that DAMLs of under £250 provide any useful intelligence to the NCA, given that it already receives SARs and given the comments of Mr Mynot? Can the Minister address that in his response?

The second issue that the new clause addresses relates to account-freezing orders, or AFOs. The Proceeds of Crime Act includes provisions that enable law enforcement agencies to freeze and forfeit funds held in UK bank or building society accounts, where there are reasonable grounds for suspecting that those funds are the proceeds of crime. In order to freeze funds in an account, a senior law enforcement officer has to apply to the courts for an account freezing order. Under POCA, AFOs can only be used to freeze funds held in bank or building society accounts.

The Minister may be able to correct me on this, but I understand that AFOs cannot be used to freeze funds held in accounts of FinTechs, which are regulated as electronic money institutions. It seems to me that there is clearly a significant risk that criminals will exploit that loophole and run illicit activities through FinTech accounts to avoid having their funds frozen.

Subsections (2) and (3) of the new clause would update the necessary definitions in POCA, meaning that law enforcement could use AFOs to freeze funds held in FinTech accounts in the same way that they can in standard current accounts. In his response, can the Minister let the Committee know if his Department is aware of any suspected money launderers exploiting this AFO loophole? That is important if we are to move forward. What are the sums involved? Have any police forces or law enforcement agencies made representations to the Minister urging him to adopt the measure? If so, does he agree with us that the loophole needs to be closed as a matter of urgency, and that the change in definitions cannot wait any longer?

Dr Huq, we all want to make progress on this issue. I will therefore be listening very carefully to the Minister's response to my questions. As I said at the outset, I hope that we can use the opportunity today to obtain a cross-party consensus to fix these issues during the passage of the Bill. That would be good for consumers, it would support our crime prevention agencies and send a strong message of support to our fast-growing FinTechs. If the Minister is unable to commit to looking at this issue during the passage of the Bill, we would welcome his bringing it up at a later stage. I look forward to the Minister's response.

2.15 pm

The Economic Secretary to the Treasury (John Glen): It is a pleasure to serve under your chairmanship, Dr Huq. Before I respond to the hon. Member for Erith and Thamesmead, I would like to recognise her award last night as newcomer of the year by the Patchwork Foundation; I congratulate her on that success.

The hon. Lady asked a number of specific questions about suspicious activity reports, or SARs, and I have those answers for her. Before I come on to them, it is important that we contextualise this new clause in the great success that is the UK's FinTech sector, with 600 propositions, 76,500 people working in the industry and £4.1 billion of venture capital money put into it just last year. The Government remain committed to supporting the sector, trying to maintain the UK's leadership position in this market and making it the best place to start and grow a FinTech firm.

I am pleased to say that assessments have cited the UK's strong Government support, access to skills, robust domestic demand and flexible regulator as particular strengths. It is a priority for the Government to maintain the UK's strength as a FinTech destination and continue fostering innovation. That is why the Chancellor asked Ron Kalifa OBE to carry out an independent review of the sector. The review will make practical recommendations for Government, industry and regulators on how to support future growth and adoption of FinTech services.

[John Glen]

The Government are conscious of the challenges that face the FinTech sector under the current suspicious activity reporting regime, in particular with respect to defence against money laundering SARs, sometimes known as DAML SARs. The volume of DAML SARs received by the NCA has grown substantially, with more than 60,000 received in 2020. Electronic money institutions—EMIs—are the largest contributor to that increase, with such companies accounting for four fifths of the increase in these requests. As the hon. Lady rightly pointed out, that has resulted in increased pressure on limited law enforcement resources. This year, £172 million was denied to suspected criminals as a result of DAML requests, up 31% on the previous year's £132 million and more than three times the £52 million from 2017-18. It would be useful for the Committee to know that the Government are working closely with law enforcement to further resolve the current anomaly with regard to account freezing orders.

The Government are supportive of the objective to equalise treatment of banks and FinTech firms in the Proceeds of Crime Act 2002. Of course, that legislation could not take account of FinTechs. Under the economic crime plan, the Treasury and Home Office, along with law enforcement, have been working with the FinTech sector to identify and implement solutions to the challenges that the provisions of the Proceeds of Crime Act create. Progressing those solutions remains a priority, and we are committed to reforming the suspicious activity reporting regime as part of the wider programme of economic crime reform. It is a significant area in which banks and financial institutions urgently need to see reform, and it requires a collaborative effort between the Treasury, the Home Office and private sector actors.

While the Government agree with the intent behind new clause 8, it is drafted in such a way as to create inconsistencies with definitions set out within the wider statute book. Specifically, the insertion of references to electronic money institutions into the definition of "deposit taking body" in the Proceeds of Crime Act introduces scope for confusion as to the status of electronic money institutions in wider financial services legislation, such as the Financial Services and Markets Act 2000. Electronic money institutions are not classified as "authorised deposit takers" for the purposes of that Act.

The Government agree with the principle that the treatment of e-money institutions should be equalised with banks in those two specific areas. However, as the Committee will be aware, financial services legislation is complex, and it is important to work through these things carefully, to ensure that the legislation operates as intended and avoids any unintended outcomes. This new clause does not adequately consider interactions with other pieces of legislation. I recognise that that is a technical matter. The Government are aligned with the intent, so I have asked my officials to work—and, indeed, I have been working myself—with colleagues across Whitehall, particularly in the Home Office, to identify a way of addressing this issue that is consistent with the broader regulatory framework for these firms. I intend to provide the House with an update on Report. Given that commitment, I ask the hon. Lady to withdraw the new clause.

Abena Oppong-Asare: I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 9

PUBLIC COUNTRY-BY-COUNTRY REPORTING BY FINANCIAL SERVICES COMPANIES

'(1) The Treasury must, every year, publish and lay before both Houses of Parliament a report on its progress in pursuit of international action on public country-by-country reporting by relevant bodies.

(2) The report must include an update on whether the Treasury intends to require the group tax strategies of relevant bodies to include a country-by-country report, pursuant to paragraph 17(6) of Schedule 19 to the Finance Act 2016.

(3) The first report must be laid before both Houses of Parliament within six months of this Act being passed.

(4) For the purposes of this section, a "relevant body" means a body authorised by or registered with the Financial Conduct Authority.'—*(Abena Oppong-Asare.)*

This new clause would require the Treasury to report on a regular basis to Parliament on its progress, for FCA-registered and authorised companies, towards international agreement on a model of public country-by-country reporting and whether it will use powers in the Finance Act 2016 to require public country-by-country reporting in the UK.

Brought up, and read the First time.

Abena Oppong-Asare: I beg to move, That the Clause be read a Second time.

If agreed to, new clause 9 would be good for the country and at the same time would tackle widespread concerns about multinational enterprises exploiting the way national systems interact in order to minimise the total amount of corporation tax they pay. It would help create greater transparency around the taxation of multinational companies, achieving those objectives by requiring the Treasury to report on a regular basis to Parliament on its progress in pursuit of international action on public country-by-country reporting by relevant bodies.

Let me say at the outset that those outcomes are what we want to see. Labour's aim in tabling new clause 9 is to use the Bill as an opportunity to help make the UK a world leader in financial transparency. I appreciate, as the Minister mentioned earlier, that financial legislation is complex, but we hope that on this occasion we will be able to receive cross-party support, as I believe we are all united in our desire to have far greater transparency.

The Government currently have the power to require multinational enterprises to publicly report their tax payments on a country-by-country basis, but so far they have resisted using that power. As I mentioned earlier, there is widespread concern about how multinational enterprises successfully exploit the way national systems interact in order to minimise the total amount of corporation tax they pay. New clause 9 is one way of tackling that. It is quite simple: it just requires public country-by-country reporting of the amount of tax multinational enterprises pay in each country where they have operations.

Schedule 19 of the Finance Act 2016 introduced a requirement for UK-headed multinational enterprises, or UK sub-groups of multinational enterprises, to publish a tax strategy. Paragraph 17(6) gives the Treasury the

power to require those tax strategies to include country-by-country reports of tax paid. However, while the Government do not appear to disagree with the principle of country-by-country reporting, we still have not seen the full use of powers to require that. They say they want international agreement on public reporting first.

I am sure the Minister agrees that there has been recent pressure on the Government to use the power in the Finance Act 2016 to introduce public country-by-country reporting. It was most recently discussed during the passage of the Finance Bill this year. On Report, on 1 July, the right hon. Member for Barking (Dame Margaret Hodge) tabled new clause 33, which would have required a tax strategy published by a group liable for the digital services tax to include any relevant country-by-country reports. At the time, new clause 33 received cross-party support, including from our own shadow Chief Secretary to the Treasury, my hon. Friend the Member for Houghton and Sunderland South (Bridget Phillipson), and Conservative Members such as the right hon. Member for Haltemprice and Howden (Mr Davis), the hon. Member for Thirsk and Malton (Kevin Hollinrake) and the right hon. Member for Sutton Coldfield (Mr Mitchell). I echo the comments made by the shadow Chief Secretary to the Treasury, who said:

"For years, the Opposition have urged the Government to commit to country-by-country reporting on a public basis…the way in which they have held up progress at an international level, has been a source of deep frustration to those of us who want to see far greater transparency around the taxation of multinational companies."—[*Official Report*, 1 July 2020; Vol. 678, c. 367.]

The right hon. Member for Sutton Coldfield said:

"The new clause would allow Parliament, journalists, campaigners and civil society to see clearly whether these businesses are paying their fair share of taxation. If the Government accept the new clause, that would, as the hon. Member for Houghton and Sunderland South suggested, make the UK a world leader in financial transparency."—[*Official Report*, 1 July 2020; Vol. 678, c. 369.]

There are companies already undertaking voluntary country-by-country reporting. For example, SSE—one of the largest electricity network companies in the UK—has been awarded the fair tax mark for the fourth year in the row. It provides a shining example of how this could be done. We are seeing companies doing this on a voluntary basis, and the new clause would ensure that all companies do it and that it is not a difficult process.

The Government have made quite a big deal about wanting to be a global leader next year—it is not just me saying that; those are the Government's words—particularly post Brexit and with our presidency of the G7. If the Government genuinely want to show global leadership, should they not be at the forefront of pushing these kinds of measures, rather than passively waiting for an international agreement to be reached? This is a perfect time to implement this provision. It would be great if we could get just one amendment through on this occasion.

The new clause would require the Government to publish an annual report to Parliament on their progress towards the international agreement, including whether they intend to use the power in the Finance Act 2016 to require public country-by-country reporting and publish tax strategies. We would welcome the Minister taking this opportunity to give us the latest update on progress towards the international agreements on public country-by-country reporting, including what specific discussions the Government have had with international partners and whether the Government anticipate any progress on this matter in 2021.

John Glen: New clause 9 would require the Treasury to publish and lay before both Houses of Parliament an annual report that outlines its progress towards international action on public country-by-country reporting, and provides an update as to whether it intends to expand the existing tax strategy reporting requirement to include country-by-country reports of financial services companies. As the hon. Lady has acknowledged, the Government have championed tax transparency through initiatives at the international level, including tax authority country-by-country reporting and global standards for exchange of information, and through domestic action such as the requirement for groups to publish tax strategies.

In relation to public country-by-country reporting, the Government continue to believe that only a multilateral approach would be effective in achieving transparency objectives, and avoiding disproportionate impacts on the UK's competitors or distortions regarding group structures. Different global initiatives to increase tax transparency and to help protect against multinational avoidance continue to be discussed in the international forums, such as the OECD, in which the UK is an active and leading participant. However, although the Government will continue to be clear and transparent about our broad objectives in this area, it would not be appropriate for the Treasury to provide a detailed report each year assessing the status and evaluating the progress of fast-moving, complex discussions that typically take place between countries on a confidential basis, nor do we think it appropriate to approach that from the narrow focus of financial services as the new clause suggests.

Although the Bill makes specific amendments to the scope of country-by-country reporting required in order to reflect the changes to the prudential regimes, the question of whether corporates should be required to publish country-by-country reports as part of their tax disclosures is a wider question that is relevant to large multinationals operating in all industry sectors, not just those in regulated financial services sectors. For those reasons, I ask the hon. Lady to withdraw the new clause.

Abena Oppong-Asare: I beg to ask leave to withdraw the clause.

Clause, by leave, withdrawn.

New Clause 10

FCA RECOMMENDATION TO REMOVE A SELF-REGULATORY ORGANISATION: MINISTERIAL STATEMENT

"(1) When the FCA makes a recommendation that a self-regulatory organisation be removed from Schedule 1 to the MLR pursuant to Paragraph 17 of the Oversight of Professional Body Anti-Money Laundering and Counter Terrorist Financing Supervision Regulations 2017, the Treasury must make a statement to Parliament.

(2) The statement must be made within four weeks of the recommendation being made.

(3) The statement to Parliament must set out—

(a) the Government's response to the FCA's recommendation;

(b) the likely impact on the sector of any action the Government is proposing to take, including—

(i) the impact of the organisation retaining its Anti-Money Laundering supervisory responsibilities if the Government decides not to remove the organisation from Schedule 1 to the MLR; and

(ii) where the Government intends to place an organisation's Anti-Money Laundering supervisory responsibilities if it decides to remove the organisation from Schedule 1 to the MLR; and

(c) where applicable, a timescale for the removal of the self-regulatory organisation from Schedule 1 to the MLR.

(4) For the purposes of this section, "MLR" means the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017."—*(Abena Oppong-Asare.)*

This new clause would require the Treasury to report to Parliament on its response to any recommendation by the FCA that an organisation have its anti-money laundering supervisory responsibilities removed, including the impact of either accepting or rejecting any such recommendation.

Brought up, and read the First time.

2.30 pm

Abena Oppong-Asare: I beg to move, That the clause be read a Second time.

New clause 10 would be good for consumers. At the same time, it would improve the ability of our crime prevention agencies to do the job that we all want them to do—namely, to crack down on criminal activity and, in this case, money laundering. Our aim in tabling the new clause was to take the opportunity offered by the Bill to address technical deficiencies in the anti-money laundering regime. Again, I hope that we will receive cross-party support for our proposal, as I believe we are all united in a desire to clamp down on money laundering.

Tackling money laundering has a strong international aspect, but the Government need to ensure that we have clear and effective anti-money laundering measures within the UK. The intergovernmental Financial Action Task Force was founded by the G7 in 1989 to design and promote policies to combat money laundering around the world. In the EU, FATF standards are implemented by way of money laundering directives, which are designed to establish a consistent regulatory environment across member states. As I said, there is clearly a strong international aspect to the work, but it is the responsibility of the UK Government to implement effective measures in this country. Implementing new clause 10 would certainly help to address that.

There are concerns about fragmentation. Indeed, that is a long-standing concern about the UK's anti-money laundering supervisory regime. In the UK, there are, in the accountancy and legal sectors, 22 different professional bodies with responsibility for monitoring compliance by their members with anti-money laundering measures. The EU's fourth money laundering directive made it clear that bodies that represent members of a profession may have a role in supervising and monitoring them. As I said, however, the supervisory landscape in the UK has been criticised for being highly fragmented.

In 2015, that was recognised by the Government in the "UK national risk assessment of money laundering and terrorist financing", the first such assessment, which highlighted the challenge of having a large number of supervisory organisations. Advocacy organisations such as Transparency International, which gave evidence to our Committee a few weeks ago, have long criticised the fragmented nature of the UK's anti-money laundering supervisory regime.

In 2018, the Government created a new office within the Financial Conduct Authority to improve standards among professional supervisory bodies—the Minister will probably mention that—but concerns have been raised about its effectiveness. For example, the Oversight of Professional Body Anti-Money Laundering and Counter Terrorist Financing Supervision Regulations 2017 gave the FCA the role of ensuring that the anti-money laundering work of the professional supervisory bodies was effective. That would be done through the new office within the FCA, the Office for Professional Body Anti-Money Laundering Supervision. The 22 professional bodies that OPBAS regulates are named in schedule 1 to the 2017 regulations.

However, a Treasury Committee report from last year, entitled "Economic Crime - Anti-money laundering supervision and sanctions implementation", concluded that it was not clear how the Treasury would respond to an OPBAS recommendation to remove a professional body's supervisory role. In particular, the Treasury Committee said that there was not an adequate indication of where the Treasury would move a body's supervisory responsibilities if it was stripped of them. It concluded that the lack of preparation created a risk that a supervisor might become "too important to fail". That is quite concerning to me. The Committee recommended that the Treasury publish within six months a detailed consideration of how it would respond to a recommendation from OPBAS.

In their "Economic Crime Plan 2019-22", which was published in July last year, the Government committed to meeting the Treasury Committee's recommendation by publishing

"a detailed consideration of the process for responding to an OPBAS recommendation to remove a professional body supervisor's status as an AML/CTF supervisor, including managing changes in supervisory responsibilities, by September 2019."

In a letter to the Chair of the Treasury Committee dated 17 October last year, the Economic Secretary to the Treasury set out in a few paragraphs the Treasury's response to an OPBAS recommendation. The letter provided little extra information and cannot be taken to constitute the

"detailed consideration of the process"

promised in the economic crime plan.

In September this year, the Royal United Services Institute noted:

"OPBAS are working with HM Treasury on designing a process in the event that a supervisor is removed from the Schedule 1 list of approved supervisors. This work is nearing completion, but has been delayed to autumn 2020 by the Covid-19 situation."

In short, the Government committed to publishing a detailed consideration by September last year but still have not done so. It is now December 2020, so it has been more than a year.

Labour's new clause seeks to underline the importance of the Treasury having a clear and credible response to OPBAS recommendations. For OPBAS's role to be as effective as possible, it is crucial that its ultimate sanction

must have credibility, so the Treasury must be clear of its response to a recommendation from OPBAS to remove a professional body's supervisory responsibilities. Our new clause attempts to formalise the process of a Treasury response by committing the Government to publishing their response within four weeks of an OPBAS recommendation to remove an organisation from schedule 1. The response must make clear what the Government intend to do and, crucially, the impact of their decision either to leave an organisation on schedule 1 or to remove it.

We would welcome a commitment from the Minster today—this is my third time trying, with a third new clause—on when the Government will finally publish their

"detailed consideration of the process"

for responding to OPBAS recommendations to remove a professional body supervisor from schedule 1. This is also an opportunity for the Minister to set out the Government's intended approach to complying with the FATF standards after the end of the transition period, and whether the Government intend to meet or exceed future EU money laundering directives. For that reason, the new clause really must be added to the Bill to help the Treasury finally to meet its obligations.

John Glen: The Government are committed to ensuring consistently high standards across the UK's anti-money laundering supervision system, and the FCA's Office for Professional Body Anti-Money Laundering Supervision—known as OPBAS—is a key part of that. It works with the 22 professional body supervisors to address any weaknesses identified in their supervisory responsibilities. When OPBAS has identified deficiencies in professional body supervisor oversight arrangements or practices, it has taken robust action, including by using powers of direction. OPBAS will continue to take such action with supervisors when appropriate, to ensure that consistent high standards of supervision are achieved.

Regulation 17 of the regulations that establish the role of OPBAS ensures that there is a clear route to removal if OPBAS has significant concerns about a supervisor's effectiveness. As the hon. Lady pointed out, following the Treasury Committee's economic crime inquiry, I wrote to the Committee to set out the process by which the Treasury would respond to a recommendation from OPBAS for such a removal. That covers each of the points that have been included in subsection (3) of the proposed new clause.

The removal of a professional body supervisor would be a highly significant decision; the Treasury would carefully consider any recommendation and, if approved, would work with other professional body supervisors, OPBAS and the statutory supervisors to ensure the continuation of anti-money laundering supervision for the affected professional body supervisor's members. That would also require the agreement of a transition period before the removal of the professional body supervisor from schedule 1 of the money laundering regulations. It could not just be done abruptly without due recourse to what interim measures or further successor measures would need to be put in place.

It is essential that any recommendation is given due consideration and planning before a decision is announced, and the introduction of a four-week statutory deadline from the issuance of a recommendation would place that at risk. If a decision has not been reached, any enactment or publication of details of the recommendation would be inconsistent with regulation 21(2) of the OPBAS regulations, which prohibits such publication.

While any recommendation for removal would be treated with urgency by the Treasury, the length of the process would be dependent on the circumstances. We therefore believe that it would be wrong for a statutory deadline to be placed on reaching an effective outcome. In the event of OPBAS's recommending the removal of a professional body supervisor, a notice would be placed on gov.uk once a decision on removal had been reached and, if necessary, plans would be agreed for the transition of affected businesses. I therefore ask the right hon. Member for Wolverhampton South East and the hon. Members for Erith and Thamesmead and for Manchester, Withington not to press the new clause.

Abena Oppong-Asare: I beg to ask leave to withdraw the clause.

Clause, by leave, withdrawn.

New Clause 16

Consumer credit: extension of FCA rule-making duty

"(1) Section 137C of the Financial Services and Markets Act 2000 shall be amended as follows.

(2) In subsection (1A), substitute

'one or more specified descriptions of regulated'

for 'all forms of consumer'."—*(Stella Creasy.)*

This new clause would extend the responsibility of the FCA to make rules with a view to securing an appropriate degree of protection for borrowers against excessive charges to all forms of consumer credit.

Brought up, and read the First time.

Stella Creasy (Walthamstow) (Lab/Co-op): I beg to move, That the clause be read a Second time.

The Chair: With this it will be convenient to discuss the following:

New clause 17—*Regulation of buy-now-pay-later firms*—

"The Treasury must by regulations make provision for—

(a) buy-now-pay-later credit services, and

(b) other lending services that have non interest-bearing elements

to be regulated by the FCA."

This new clause would bring the non interest-bearing elements of bring buy-now-pay-later lending and similar services under the regulatory ambit of the FCA.

New clause 22—*Cost of credit: FCA assessment*—

"In Schedule 6 of the Financial Services and Markets Act 2000 after paragraph 2F(3) insert—

'(4) When considering the business model, the Financial Conduct Authority must have regard to the interests of consumers, in particular—

(a) the proportion of a firm's revenues that are to be derived from re-lending, and

(b) whether customers are likely to be charged a total cost of credit in excess of one hundred percent of the amount borrowed both on the basis of the initial credit terms or following relending activities.

(5) Where the Financial Conduct Authority's assessment concludes that a business model poses a significant risk that customers will be charged a total cost of credit in excess of one hundred percent of the amount borrowed, then the threshold condition will not be met.'"

This new clause would ensure that the Financial Conduct Authority assesses the business models of firms and does not allow excessive relending activity to take place, or for firms to be granted permission if there is a significant risk of customers paying more in interest, fees and charges, than the amount they have borrowed.

Stella Creasy: It is a pleasure to serve under your chairmanship this afternoon, Dr Huq—all of us who have one of those titles but never really use it probably ought to, not least with our bank managers on issues such as this.

The new clauses we discussed this morning were about when the FCA, having been involved with a company, has let down our constituents, and that is why we pushed new clause 21 to a vote: fundamentally, there are thousands of people in this country, many of them our constituents, who will be denied compensation because the companies that owe them compensation have gone into administration on the FCA's watch.

These new clauses are about how we can get proper consumer protection so that we do not get into those positions at all, as well as taking on board what we have learned in the past seven years about what actually works to protect consumers, and the reality is that it is capping. Capping the costs of credit has been a very effective, cheap and clear form of regulation, which has benefited industry and consumer alike. These new clauses are about giving the FCA the power to use that evidence to help to protect our consumers, because, sadly, the detriment that made capping payday lending such an effective thing to do is now appearing in many other industries. That speaks to the whack-a-mole challenge that we have with credit in this country.

As I said this morning, the challenge is that the FCA moves very slowly, but this industry—credit in its broadest sense, not just high-cost credit—moves very quickly. We know that what has stopped consumer detriment is being able to cap what these companies can charge, and we know that most of all from the payday lending industry. The payday lending industry still exists in this country, but the reason we have not had people turning up to our surgeries, or seen these companies on our high streets or indeed in our inboxes, is that regulation has meant that people are not being exploited by them in the way that they were. The companies can still operate—those that want to lend to people in a short-term and effective way without exploiting them. However, the point at which people get into debt and cannot get out of it—that business model that was about hooking people in and keeping them paying—has ended, because of the cap.

In this country, if someone takes out a payday loan, they will never pay back more than double what they borrowed, including the interest fees and the charges. That is a really important point in these new clauses, because the whole point was capping not just interest rates, but the whole cost of a loan. As I said earlier, exploitation in the credit industry is like water: it finds the loopholes. These new clauses speak to other forms of loopholes.

2.45 pm

We know that capping works, not least from the FCA itself. This week, it has published evidence that its cap on the rent-to-own sector has cut costs in the market by a fifth. Again, there is still a rent-to-own market, so this is not about driving these companies out of business, but about making it a fairer deal for our constituents. If we do not have capping as a measure that we can use across the sectors, rather than only in individual circumstances through statutory regulators—which is what we currently have, since the definition of capping can be applied only to the high-cost-credit industry—the question becomes, what are the alternatives? From what we talked about this morning, it is clear that the redress schemes and affordability schemes simply do not work. If they did, there would not be thousands of people who are still owed money by Wonga, but who will never get that money because Wonga went into administration on the FCA's watch.

It is clear that, with affordability schemes, there is just too much leeway for the lenders themselves to decide what is affordable. Inevitably, they will decide that somebody can afford to pay them back and will lend to them, leading to that slippery slope of lending and lending to people in order to keep them paying back a little at a time, with the company knowing that it is going to get money back from people. Indeed, lenders themselves say that the affordability criteria are not very clear as a means of dealing with concerns about whether people are being lent to in a bad way, because lenders do not know whether ombudsman complaints will be upheld. These schemes do not work for all concerned.

There is a pressing need to act on these issues now because we know that during covid the FCA has suspended the persistent credit card debt remedies. Members of the Committee might say, "Well, that's a good thing, isn't it?" because we are saying that people should not be written to and harassed to pay back credit cards when they are in financial crisis. However, it also means that those people are still racking up interest if that interest was more than double what they borrowed. As I said this morning, a person is better protected in this country if they take out a payday loan—especially in this pandemic—than they are if they use their credit card. At least at some point, the debt on a payday loan will stop, whereas the debt on a credit card can keep going up, and right now the people involved would not necessarily know about it.

Capping recognises the model of exploitation, which is basically that if a lender can keep people giving them a bit of money back, it can keep making money—it can cover its costs and make enough profit to make the process profitable. Capping is easy to enforce: when companies do not apply a cap on payday lending, that breaches the law, and it means we can act. When we can see credit card companies that are charging double—charging thousands of per cent. in interest when the entire cost of a loan is calculated—we can see why capping would make a difference.

When capping was brought in for payday lending, some companies exited the market, but I think the Minister would accept that that was probably the right thing to happen, because those were the companies that were exploiting people. Good, mainstream credit card companies—Barclays or whoever—should not be bothered by a cap or by the ability of the FCA to use capping as a mechanism for regulation, because they should not be hitting that cap in the first place. If they are—for example, when including overdraft rates or some other loans—we have to ask ourselves whether there is a problem with how people are being lent to, rather than whether capping is unacceptable.

If capping is right for payday loans, why is it not right for credit cards such as Aqua? Aqua is owned by Provident. It is a high-cost form of credit. Some people have seen its representatives in their constituencies: they do doorstep lending. We have seen over the past couple of years that when the cap was brought in just on one sector, the companies diversified their products, going into things that were not capped to continue making money from people who are hard up and who would not be lent to by mainstream credit. If we gave the FCA the ability to cap everything, it would send a strong message that companies cannot find these loopholes, which we are seeing them find time and time again.

Capping is also about new entrants to the market, not just the existing common or garden forms of debt we might recognise, such as credit cards. In the past couple of years, a whole range of new products have been brought out in the UK. Financial companies from overseas are coming into our markets and lending to people, and capping would allow us to deal with them. What am I talking about? I am talking about things such as guarantor loans, and I know the Minister shares my concerns about the companies involved. Guarantor loans are where somebody vouches for another person's ability to pay a loan. That might seem like a very fair thing to do—somebody else can help back a person—and it seems like a stable business model. What these companies do not say, however, is that if loans are not repaid, they will chase both the borrower and the guarantor. They work on the idea of the social shame of having got somebody else into debt, to get money out of both parties.

In my community, the president of the local Royal British Legion was almost made bankrupt by these companies, because he tried to help out a veteran. Any of us looking at that model would think it is not right. Right now, however, if someone takes a guarantor loan, it is not covered by the capping legislation, so companies can charge 49% interest rates and get people into debt. No wonder that complaints to the Financial Ombudsman Service about guarantor loans have quadrupled this year during the pandemic, and 88% of them are successful. I say to the Minister that, just as we saw with payday lending, the FCA's failure to step in means that the ombudsman has to do so; hence, the ombudsman is the only form of redress.

It is the same with overdraft charges. When companies do not include all costs, the exploitation, like water, goes somewhere else. Companies will use overdraft charges and fees to rack up payments, even if the interest rates seem very low. When colleagues talk to their constituents about these things, they should make sure that they check the fees charges, because that is where companies will make their money. They have recognised that that is where this debate is going.

There is also an issue with the buy now, pay later industry. BNPL is a term that some people might not have seen yet, because it is a very new entrant to the UK market, but, my, what an entrance it has made! It has been one of the industries that has actively flourished during the pandemic, because it is mainly about buying things online. It has a very simple premise: people can spread the cost of their payment over three or six instalments, so that they do not have to find the entire cost of a product at point of sale. Colleagues might have heard of such companies, including Layby and Clearpay; Klarna is probably the most well known. Crucially, however, they are not covered by regulation, and one of the new clauses is designed to deal with that. It is exactly why people such as Martin Lewis are joining me in raising the alarm about such companies, just as we did about payday lending in 2011. They are the new form of exploitation.

These companies market themselves to retailers on the basis that people will spend 45% more than they would have done had they had to find the money up front. For avoidance of doubt, nobody is saying that people should not be able to access credit, but such companies are being used 35% more in the pandemic than they were beforehand. People sitting at home have been heavily marketed to by these companies, and they are using Klarna and company to buy things. Some 27% of those people say they would not have been able to afford the goods up front, so that is why they have used credit. We can therefore see where the problem lies. If someone is relying on their income remaining the same over the six weeks of the payments, and they lose their job in the middle of that period, what do they do? They might have thought that they could afford something by paying in three or six payments, but suddenly they have to do the maths in their head and work out what they owe.

It is not about whether BNPL bears interest. One of the reasons such companies are not regulated right now is that they do not, in theory, charge interest. They make their money from retailers such as ASOS, Marks and Spencer, H&M and so on. If any Members present are not fully listening and are instead on their phones doing some internet shopping, they will see that buy now, pay later is offered as an option in the drop-down window on many different sites. It is very easy to think, "Well, that makes payments more affordable." That is particularly an issue for younger consumers. Some 54% of 18 to 24-year-olds report using BNPL in the pandemic, and they are also the group most likely to be made redundant or to fail to find a new job.

Alison Thewliss (Glasgow Central) (SNP): The hon. Lady is making a very good point. Is she aware that the Young Women's Trust has suggested that 1.5 million young women have lost income during the pandemic?

Stella Creasy: Absolutely. We know who such companies are targeting, and they are doing so deliberately. I hate to say this, as I do want to win over the Committee, but we might not be their target audience at this point in our lives, because we might not be actively reading the social influencer media posts. I might be completely wrong—I am sure some Government Members are regularly on their Instagram accounts looking at posts by ASOS.

Some 20% of those young people say they have missed a payment in the last year—the figure has doubled in the last year—because they thought that a purchase would cost a certain amount and that they had an income, but that income has gone. The companies will say that they are very good to their customers because they do not lend more than people need and they do not charge interest—the companies' interest is in people paying back the money—but those companies go silent on what they do when people do not pay back. What happens to people's credit references? How do they chase money? Do they use debt collection agencies?

[Stella Creasy]

Those companies are growing rapidly, just as the payday lending industry did. We watched that happen and, in that Cassandra-like way, all tried to warn of it, but it took too long for us to act. In 2019 Klarna was boasting that it had signed a partnership with a new merchant every eight minutes in this country. By the end of 2019, 6 million people had used its product, and it said that 55,000 were using it weekly. Imagine what it is like now, with people having been stuck at home and stuck on their phones.

The Money and Mental Health Policy Institute found that more than 3 million people with mental health problems have found it harder during the pandemic to control their online spending, and two in five said the BNPL industry has been "harder to resist". Because it is not regulated, it does not have to follow any of the rules we might want to point to that protect consumers. That is why we see all those adverts saying, "No interest, no fees—don't worry about it." The industry does not have to provide the normal financial information we see in other forms of credit because it is not regulated in that way.

Just as with the payday loan industry, as soon as we started talking about these companies, along came the offers of dinners and discussions and talks, where the industry says it is in fact a misunderstood new technology. Those of us who are not regularly on the internet have obviously missed them.

Mr McFadden *rose*—

Stella Creasy: I am sure the shadow Minister is about to tell us about his Instagram account.

Mr McFadden: No, I am not, but I am interested to hear that my hon. Friend got an offer of dinner. All I got was an email.

Stella Creasy: Sadly, during the pandemic, none of us has been able to take up any of those offers to explain our concerns to these companies directly, as opposed to on Zoom. It is a simple concern: the way in which these products are marketed encourages people to spend money as a way of dealing with the emotional and social impacts of the pandemic. The adverts, using those social influencers, say, "When you're feeling low, sat at home by yourself with nowhere to go, there is something to make you feel better." Essentially, the message is, "Get into debt. Don't worry about it. You can spread the payments. Don't worry about whether you can afford it." They get away with saying and doing that because they are not covered by the regulations.

I know the Minister is looking at this issue—he said so—and that the FCA is doing so. I have made a series of complaints to organisations such as the Advertising Standards Authority about these issues, because, just as with payday lending, we have seen the rapid expansion of these companies. My worry is that if we take 18 months it could be too late in terms of consumer detriment. I do not doubt these companies when they say they want to have a sustainable business model, but it is for us in this place, in crafting the Bill, to decide what sustainability is and how they make their money. Otherwise, we are handing them our young consumers, in particular, on a plate to be exploited. The new clauses speak to those issues.

New clause 16 would ensure that all forms of consumer credit are covered by regulation, because the gap that Klarna and company have fallen into is arguing that they are not a form of consumer credit so they do not need to be regulated. We should always apply a sniff test: if somebody is giving us money to buy things on tick, that is a form of credit. If it walks like a duck and talks like a duck, it should be regulated like ducks should—see, we have moved on from the dinosaurs to ducks.

New clause 17 would make rules explicitly about the buy now, pay later industry. I do not believe we can wait another year or so before we do something. It makes sense to bring the industry under the FCA's umbrella so that the FCA can act. The new clause would ensure that Ministers could act based on the industry's actions, given the risks that come from them. Unlike customers of Amigo Loans or indeed the remaining payday loan industry—or even the credit card industry—nobody who uses buy now, pay later can go to the ombudsman for redress, so what do they do if they get into difficulty? I pay tribute to Alice Tapper from Go Fund Yourself, who has been collecting the evidence about young people getting into debt from unaffordable forms of spending with such companies and not knowing how to get out of it.

3 pm

New clause 22 is about re-lending, which the FCA has been doing a lot of work on. Indeed, it put out a report in August this year about re-lending in the high-cost credit sector, so it knows that there is a problem. Its evidence shows that for the high-cost lending business models in its sample, re-lending is a "significant part" of their business—in other words, hooking people in, making them keep paying money and getting them into debt that becomes a problem. The FCA said:

> "We are concerned in some instances to see levels of debt and repayments increase significantly. We saw levels of relending often double within a 2 to 3 year period."

This meant that 48% of customers had to cut back on other spending—in other words, buying food for their families and paying their mortgages—to make their loan repayments, while 16% of customers reported that their most recent re-lending was taking out debt to repay other forms of debt; they are trapped in that model.

Through new clause 22, we are saying that it is not enough for the FCA to keep writing to these companies and warning them that this is not a good, sustainable business model—rather, we should do something about it. We should recognise that the FCA's research shows that there is a problem, and therefore re-lending needs to be acted on. As with Amigo Loans, where we see a massive rise in people getting into trouble, when we have the evidence before us and we can see how quickly this industry works, surely we must act. As discussed in relation to the previous amendment on FinTechs, Klarna will try to hide behind the idea that it is new and modern, but this is always going to be a very old problem: what is a fair price to pay for credit? It benefits all of us to have a fair and competitive credit market. At the moment, it is neither, when exploitation is so easy to perpetuate and when the FCA has its hands behind its back because it has to find forms of credit that fit the particular model.

Let us not bind the FCA's hand when it comes to the most effective way of protecting all our constituents; let us give it the ability to cap. Let us send a strong message to new entrants to the market from overseas such as Klarna, Clearpay and Laybuy that they can come to the UK, but they must treat our consumers fairly. Let us ensure that we never see another Wonga or QuickQuid or credit card scandal again in this country. The honest truth is that it will turn up in our constituency casework first, and then it will be a national scandal, as we will never get out of the economic impact of this pandemic because people will never have enough money to cover the month.

John Glen: I would like to sincerely thank the hon. Member for Walthamstow for her tireless work in this area—she does not look too happy that I have said that, but I sincerely mean it. I recognise the contributions she has made to cap the cost of payday lending. That has made a significant difference, and although we differ on some elements, my vigilance is seriously minded towards these problems, and I will try to respond in full to the points she has made.

As the hon. Lady knows, the Government have given the FCA the power to cap all forms of regulated credit, and the FCA can do so if it thinks it is necessary to protect consumers. I note that her new clause seeks to require the FCA to use this power for all forms of consumer credit and that the retained reference to "high-cost short-term credit" appears to limit its application, but I will proceed on the basis of the intention behind the new clause.

Government legislation has previously required the FCA to use this power, leading to the 2015 cap on the cost of payday loans, and Government will consider further action as circumstances require. However, the Government do not encourage regulatory intervention where there is no clear case for doing so. That can increase the costs to business, which are usually passed to consumers, or lead to products and services being commercially unviable, reducing consumer choice.

While the Government imposed a requirement on the FCA in legislation to use its capping powers for payday loans, the context for that intervention was very different from the current consumer credit market. The Government legislated only after agreement between the FCA and Government that the cap was necessary, in response to the well-evidenced harm that was occurring in the payday lending market, which the hon. Member for Walthamstow has done a massive amount of work to promote awareness of. Introducing this duty on the regulator ensured that its efforts were focused on implementing the cap quickly, rather than spending time and resources on making the case for a cap in the first place. Following this successful intervention, the FCA independently implemented a similar price cap on rent-to-own products in March 2019 in response to the FCA finding evidence of consumer detriment as a result of excessive charges.

The FCA keeps the issue of capping the cost of other types of credit under constant review. There is not an equivalent case today that necessitates this action. Therefore, we should not legislate to force the FCA, as the independent and expert regulator, to implement a cap. As can be seen from the payday and rent-to-own markets, in some cases price caps can be effective in protecting consumers from the most egregious harm. However, a blanket cap would not take into account the idiosyncrasies of the breadth of consumer credit products on the market and could give rise to unintended consequences.

Let me turn to new clause 17. This amendment speaks to the exemption under article 60F of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001. That exemption covers interest-free loans, repayable in no more than 12 instalments, within no more than 12 months, used for the financing of specific goods and services. It allows businesses such as gyms and sports season-tickets providers to avoid the burden of FCA regulation for offering deferred payment terms for the goods and services they provide. It also catches many everyday transactions, where the supplier of goods or services issues an invoice and affords a period of time to pay.

The exemption is important in allowing low-risk day-to-day business activity to be undertaken without firms needing to be authorised by the FCA or to comply with consumer credit regulation. However, the Government are alert to the specific concerns about buy now, pay later products that utilise this exemption. I know that the hon. Member for Walthamstow is concerned about the way in which those products are advertised, as she set out this afternoon, and the risk of borrowers unknowingly building up problem debt.

An interest-free credit, unregulated, buy now, pay later product, as it is inherently lower risk than other forms of borrowing, can provide a lower-cost alternative to help people buy the products they need and can be a useful part of the toolkit for managing personal finances and tackling financial exclusion. However, despite the potential benefits and the fact that we are yet to see substantive evidence of widespread consumer harm, the Government and the FCA are aware that risks are associated with those products, as with any type of borrowing. Therefore, the former interim chief executive officer of the FCA, Chris Woolard, is urgently undertaking a review into change and innovation in the unsecured credit market.

The Government welcome the review. I have spoken with Chris Woolard about it, and he attended the financial inclusion forum in the past few weeks. A key focus of the review is on areas of growth from non-traditional providers of credit, which includes unregulated, buy now, pay later products, which the hon. Lady described. It will assess both the supply and the demand sides of the market, cover the customer journey and engage with the main providers to better understand business models and how customers interact with such firms. The FCA has also commissioned consumer research to help inform its understanding. I recognise that particularly vulnerable groups of consumers seem to be using such products more.

The review is due to present its conclusions early next year, in a few months. If it concludes that there is the potential for significant harm occurring as a result of those exempt products, the Government will assess the options for how to address that best, and whether they would be proportionate to counter such harm.

I will now turn to new clause 22. As I noted previously, the Government have fundamentally reformed regulation of the consumer credit market, giving control of the area to the FCA in 2014. That more robust regulatory system is helping to deliver the Government's vision for a well-functioning and sustainable consumer credit market

[John Glen]

that can meet consumers' needs. The Government have given the FCA strong powers to protect consumers, and the FCA assesses whether a firm's business model is in a consumer's interest as part of the authorisation process.

In 2017, the FCA confirmed that, in its assessment of firms' business models, it considers how each firm makes money. That allows the FCA to identify any economic incentives that a firm might have to cause harm to consumers and to take appropriate mitigating actions.

In its August report on re-lending by high-cost lenders, the FCA set out clearly the potential issues around re-lending. The report identified ongoing concerns about the business practices of some of those lenders, which it deemed to be breach of FCA rules and principles for business. More importantly, the report reiterated the FCA's expectations that firms should treat their customers fairly. It made it clear that it expects firms to review their re-lending practices so that they can properly assess affordability; further, that any re-lending firms undertake is sustainable and will not give rise to borrowers entering into problem debt; and, finally, that the customer's full financial position should be taken into consideration when making those re-lending decisions.

While the hon. Member for Walthamstow is right that re-lending can cause consumer harm, it is clear that the FCA understands the issues and is acting where necessary to protect consumers' interests. As I have set out, the FCA will consider consumer interest in relation to a firm's business model during the authorisation process, and will monitor the market through its supervision process, reminding firms of their obligations and intervening where necessary. I therefore ask that the hon. Member for Walthamstow withdraw the new clause.

The Chair: I call Stella Creasy PhD.

Stella Creasy: As well as winner of a Titmuss prize, I think you will find, Dr Huq. My father got excited that I meant Abi, and my mother thought I meant Fred—it was neither.

I listened to the Minister, and was all eerily familiar. It was like the conversations that we had on payday lending, when everyone mentioned the then Office of Fair Trading. I appreciate that that conversation was not with the Minister, but the outcome for our constituents will be the same. It is Christmas; does he think that Klarna, Clearpay and Laybuy will not be heavily pressing their product on our constituents?

We could vote to send a message that change will come in the next couple of months. We could sound the alarm that we did not sound on payday lending until millions of people were in debt. The Minister knows that the FCA has been, and will continue to be, timid about using capping, because it is looking for political leadership to say that capping is the right to do.

I am happy to withdraw new clause 16, but I will press new clause 17 to a vote because I think we should send a message that we are listening to the consumers who are already in debt with those buy-now-pay-later companies. It is an incredibly reasonable clause that says that we will regulate and not leave people hanging. The Minister has not given any succour to that idea. He has talked about a review and the possibility of some consideration later, but that is just too late. Too many people are already in debt with those companies. I hope, if the Minister will not listen to me, that he will at least listen to Martin Lewis and Alice Tapper, who have been trying to help people in financial difficulty because they cannot go to the ombudsman. I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 17

Regulation of buy-now-pay-later firms

"The Treasury must by regulations make provision for—

(a) buy-now-pay-later credit services, and

(b) other lending services that have non interest-bearing elements

to be regulated by the FCA."—*(Stella Creasy.)*

This new clause would bring the non interest-bearing elements of bring buy-now-pay-later lending and similar services under the regulatory ambit of the FCA.

Brought up, and read the First time.

Question proposed, That the clause be read a Second time.

The Committee divided: Ayes 6, Noes 10.

Division No. 12]

AYES

Creasy, Stella
Flynn, Stephen
McFadden, rh Mr Pat
Oppong-Asare, Abena
Smith, Jeff
Thewliss, Alison

NOES

Baldwin, Harriett
Clarkson, Chris
Davies, Gareth
Glen, John
Jones, Andrew
Marson, Julie
Millar, Robin
Richardson, Angela
Rutley, David
Williams, Craig

Question accordingly negatived.

New Clause 20

Power of a select committee to require the FCA to conduct an investigation

'(1) The Financial Services Act 2012 is amended as follows.

(2) After section 77 (Power of the Treasury to require FCA or PRA to conduct an investigation) insert—

"77A Power of Treasury to require FCA or PRA to undertake investigation

(1) Where a relevant select committee resolves that—

(a) it is in the public interest that the FCA should undertake an investigation into any relevant events, and

(b) it does not appear to the relevant select committee that the regulator has undertaken or is undertaking an investigation (under this Part or otherwise) into those events, the FCA must undertake an investigation into those events and the circumstances surrounding them and lay a report before Parliament on the result of the investigation.

(2) "Relevant events" means events that have occurred in relation to—

(a) a collective investment scheme,

(b) a person who is, or was at the time of the events, carrying on a regulated activity (whether or not as an authorised person), or

(c) listed securities or an issuer of listed securities.

(3) "Relevant events" do not include any events occurring before 1 December 2001 (but no such limitation applies to the reference in subsection (2) to surrounding circumstances).

(4) A "relevant select committee" means a select committee of the House of Commons with a remit covering financial services."'—*(Stella Creasy.)*

This new clause would give a relevant select committee of the House of Commons the power to require the FCA to undertake an investigation into relevant events.

Brought up, and read the First time.

Stella Creasy: I beg to move, That the clause be read a Second time.

I do not intend to speak to this new clause for very long because my case has already been made. This is a simple clause about the powers of the FCA to do investigations and about who has the power to require it to do them—currently, that is the Treasury. The new clause suggests that a Select Committee should be able to do that. It would most likely be the Treasury Committee, but the clause says "a relevant Select Committee", because the issues may concern the Business, Energy and Industrial Strategy Committee.

The Minister will understand my disappointment and frustration that he has not offered any opportunity to look at whether amendments or investigations are needed. Change is likely to come to our credit industry in the time that this Bill is before Parliament. If the Treasury will not act, it falls to all of us in Parliament to ask where else we can scrutinise how our constituents are being lent to and whether they are being ripped off.

3.15 pm

The new clause would simply give the power to compel an investigation to a Select Committee. I am sure that hon. Members have buy now, pay later casework coming into their inboxes from people who are in financial difficulty, especially after Christmas, or who have credit card problems. They will be asking, "Who is looking into this?" The answer we are getting from the Government is, "Not us," and the answer we are getting from the FCA is, "Well, the industry tells us it is all very complicated." We could give Select Committees—they are cross-party, so this is not a partisan thing—the ability to decide that there is a public interest test. That would simply extend the power that the Treasury currently has regarding Select Committees to identify where there is a problem, gather the evidence and help make the case for change.

We will not always have financial services Bills to put things on the record, but we could do it in a Select Committee. I hope the Minister will see this proposal not as a challenge to his authority but as support for the idea that these matters should be investigated and taken up.

John Glen: The change proposed under this new clause to allow Select Committees to require the FCA to launch investigations in situations where there is suspected regulatory failure would mirror powers that are already available to the Treasury. As I set out earlier, section 77 of the Financial Services Act 2012 enables the Treasury to require the regulators to conduct investigations in cases of suspected regulatory failure in circumstances where it does not appear to the Treasury that the regulators are already doing so under, for example, the regulators' power in section 73 of that Act.

The Treasury has used those powers to require the PRA and FCA to launch investigations where it considers that appropriate. As Members are aware, the Treasury Committee had the opportunity to scrutinise the investigation that was carried out into the Co-operative Bank in 2018, and it made a number of recommendations that were accepted by the PRA.

I am therefore confident that investigations under existing section 77 powers are useful in holding regulators to account, ensuring proper scrutiny of them and conducting investigators in the public interest. In determining whether an investigation is in the public interest, the Treasury will also consider the views of the relevant Select Committee in reaching its decision.

The Government agree that Parliament should play an important strategic role in interrogating, debating and testing the overall direction of policy for financial services. The Treasury is confident that proper mechanisms exist to allow the Treasury Committee to scrutinise and comment on investigations, as is right and proper. Ultimately, there is nothing to stop a relevant Select Committee launching its own investigation into an issue, calling witnesses, gathering evidence and making recommendations. That is a decision for the Committee.

Stella Creasy: Earlier today, we talked about the fact that the Treasury instructed the FCA to get involved in the debate around payday lending. Indeed, it went into companies such as Wonga and QuickQuid and set out redress schemes. We know that they were ineffective because it ended up with the ombudsman getting involved, and it was only then that those companies went into administration because it was revealed how much they owed to our constituents. In circumstances such as that, where no doubt there would be difficult conversations about what role the Treasury and the FCA played in the process, who watches the watchmen? Who would instruct that inquiry? At the moment, that inquiry has not happened, so we do not know why that redress scheme did not work. There is no sign that the FCA wants that. Is the Minister saying that he would instruct that so that we can get to the bottom of why the redress scheme did not work? If it did not, it seems rather apposite to have an independent third party that could look at issues such as that on behalf of consumers.

John Glen: I am very happy to look at that particular case. The point I am making is that there is a mechanism to compel the FCA to investigate, and the Treasury does not do that in isolation from the its wider accountability to Parliament, individual Members of Parliament and the Treasury Committee. I am very happy to examine the point that the hon. Lady has made and I will look at it carefully, but that provision exists. Frankly, I cannot and would never expect to act in isolation and without accountability to Parliament. Given the powers available to the Treasury, which can be used in that context, and the opportunity for scrutiny by Select Committees, I ask that this new clause be withdrawn.

Stella Creasy: If the Minister is saying that he is going to instruct a redress investigation, I will happily withdraw the new clause. I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 21

ASSESSMENT OF RISKS OF CONSUMER DETRIMENT

"(1) Schedule 6 of the Financial Services and Markets Act (2000) is amended as follows.

(2) After paragraph 2D(2)(c) insert—

'(d) the risks of consumer detriment associated with the firm's business model and the likelihood for compensation claims from consumers.'

(3) After paragraph 2D(3), insert—

'(3ZA) When assessing whether the firm has appropriate financial resources to meet the risks of consumer detriment and the likelihood of compensation claims from consumers, the Financial Conduct Authority must ensure that, at all times, firms hold sufficient financial resources to meet any likely compensation claims from customers in full.'"—*(Stella Creasy.)*

This new clause would ensure that the FCA considers the likelihood of consumer detriment arising from the firm's business model prior to, and following, authorisation, and that firm's hold sufficient financial resources to meet potential compensation claims from customers in full.

Brought up, and read the First time.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 6, Noes 10.

Division No. 13]

AYES

Creasy, Stella
Flynn, Stephen
McFadden, rh Mr Pat
Oppong-Asare, Abena
Smith, Jeff
Thewliss, Alison

NOES

Baldwin, Harriett
Clarkson, Chris
Davies, Gareth
Glen, John
Jones, Andrew
Marson, Julie
Millar, Robin
Richardson, Angela
Rutley, David
Williams, Craig

Question accordingly negatived.

New Clause 24

FACILITATION OF ECONOMIC CRIME

"(1) A relevant body commits an offence if it—

(a) facilitates an economic crime; or

(b) fails to take the necessary steps to prevent an economic crime from being committed by a person acting in the capacity of the relevant body.

(2) In subsection (1), a 'relevant body' is any person, including a body of persons corporate or unincorporated, authorised by or registered with the Financial Conduct Authority.

(3) In subsection (1), an 'economic crime' means—

(a) fraud, as defined in the Fraud Act 2006;

(b) false accounting, as defined in the Theft Act 1968; or

(c) an offence under the following sections of the Proceeds of Crime Act 2002—

(i) section 327 (concealing, etc criminal property);

(ii) section 328 (arrangements, etc concerning the acquisition, retention, use or control of criminal property); and

(iii) section 329 (acquisition, use and possession of criminal property).

(4) In subsection (1), 'facilitates an economic crime' means—

(a) is knowingly concerned in or takes steps with a view to any of the offences in subsection (3); or

(b) aids, abets, counsels or procures the commission of an offence in subsection (3).

(5) In proceedings for an offence under subsection (1), it is a defence for the relevant body to show that—

(a) it had in place such prevention procedures as it was reasonable in all circumstances for it to have in place;

(b) it was not reasonable in the circumstances to expect it to have any prevention procedures in place.

(6) A relevant body guilty of an offence under this section shall be liable—

(a) on conviction on indictment, to a fine;

(b) on summary conviction in England and Wales, to a fine;

(c) on summary conviction in Scotland or Northern Ireland, to a fine not exceeding the statutory maximum.

(7) If the offence is proved to have been committed with the consent or connivance of—

(a) a director, manager, secretary or other similar officer of the relevant body, or

(b) a person who was purporting to act in any such capacity,

this person (as well as the relevant body) is guilty of the offence and liable to be proceeded against and punished accordingly."—*(Mr McFadden.)*

Brought up, and read the First time.

Mr McFadden: I beg to move, That the clause be read a Second time.

Although it is late in our proceedings, this is the first chance I have had to say what a pleasure it is to serve under your chairmanship, Ms Huq. New clause 24 introduces an offence of failing to prevent economic crime. I should make it clear that it is a corporate offence for companies.

The Committee will know that we have received written evidence on this issue from Spotlight on Corruption. In previous debates, we have all agreed that money laundering and fraud are big problems for the UK, although they are difficult to quantify. As I have said, I appreciate that the Minister has very likely been advised not to accept any amendments to the Bill. When a party has been in power for 10 years, that tends to reinforce itself, because it can become more difficult to admit that things are wrong. I should say in all candour that I am not suggesting that fraud or money laundering only started in 2010.

These are big, difficult and long-term issues for all Governments, so this is not a game of gotcha. It has been a problem for a long time, and Governments and regulators have to adapt constantly to deal with it. As we have been discussing this afternoon, as the pattern of business, trade and company ownership changes, so must the law and the regulatory rulebook. There is no embarrassment in acknowledging that we have a problem with money laundering or fraud, or, indeed, in introducing changes. Doing so is a strength.

The problem that the new clause deals with is twofold. First, there is the straightforward issue of fraud or crime—positive acts of wrongdoing—being committed. Secondly, there is the situation where breaches of the law take place in a company and it is impossible to hold the company to account because there is no duty on the company to prevent such acts in the first place. We saw that kind of thing graphically during the LIBOR scandal, which we have discussed in our proceedings. One chief

executive after another—some of the highest-paid people in the world, it should be said—professed their profound shock at what their traders were doing. They knew nothing about it until they read about it in the newspapers, and they were absolutely dumbfounded at what was going on several floors below them in the same company. It worked for them: there were no corporate prosecutions in the UK.

I have already spoken to the Committee about the incentive to look the other way that this situation entails. It is better for a senior director of a financial institution to appear to be a fool than a knave, because the defence that they did not know what was going on is usually better for them than saying that they did know what was going on, but they did nothing about it. Not only that, but further down the chain it creates a disincentive to report wrongdoing further up the hierarchy, because doing so may mean that the ignorance defence is not available to those at the top of the hierarchy. That creates a mismatch between how small companies and large companies are treated, because small companies are assumed to have a directing mind, so that, if wrongdoing is identified, professing ignorance is not a defence for senior managers.

What would creating an offence of failure to prevent economic crime do? It would create a level playing field between small and large companies; it would send out a strong signal about the kind of financial sector that we want as we come to the end of the transition period; and it would equalise how different kinds of economic crimes are treated, because such a liability—I stress that it would be a corporate liability—already exists when it comes to, for example, bribery or tax evasion. Why should the ignorance defence be available for some offences but not for bribery or tax evasion? The Treasury would never accept it if senior members of a company said, "Oh, we didn't know we were supposed to pay those taxes." That would not be a legitimate defence, and yet it can be used for some other kinds of wrongdoing.

Let me return to the point about the signal that we want to send. A lot of the Bill is about onshoring EU directives. The sixth anti-money laundering directive requires EU member states to have corporate criminal liability for money laundering. Under the directive, corporate liability must include an offence that occurs owing to a lack of supervision or control by a person in a leading position in a company. We do not have that at the moment. The Bill is an opportunity to correct that. Remember, we are waiting for an equivalence decision. Do we really want our first big signal on divergence to be a departure from the rules on money laundering? Is that really the message that we want to send?

However, we should not do this only because the EU is doing it. We should do it on its own merits. The Treasury Committee reported last year on how difficult it is to prosecute multinational companies, saying that

"multi-national firms appear beyond the scope of legislation designed to counter economic crime. That is wrong, potentially dangerous and weakens the deterrent effect a more stringent corporate liability regime may bring."

I anticipate the Minister's response—that he thinks there are a lot of strong points here, and that he is sympathetic to the argument, but that he wants to wait for the Law Commission consultation. I cannot remember which pot we would put that in. *[Interruption.]* If it is pot three, I will take his word for it.

The focus of the Law Commission's consultation is what is known as the identification doctrine, or what we might call the question of a directing mind. However, nothing in that consultation should prevent the Government from introducing a "failure to prevent" offence that could apply to small and large companies alike. Indeed, it is already implicit in the way that small companies are treated. Why should larger companies continue to be able to wield an excuse that is not available to smaller firms? When it comes to the treatment of small firms, I suspect that the Minister will hear that argument in the Chamber, if not in the Committee, from Members on his side of the House as well as on ours.

Furthermore, the Law Commission may take some time. We heard oral evidence that the pace on this has been glacial. However, our transition period ends in less than a month. It is not as though we do not have an ongoing problem with money laundering and financial crime, so what are the advantages of waiting? Corporate liability is not a new or revolutionary idea; it already exists for bribery and tax evasion. HMRC has said that it

"does not radically alter what is criminal, it simply focuses on who is held to account for acts contrary to the current criminal law."

The lack of such an offence was also pointed out in the Financial Action Task Force 2018 UK evaluation, which pointed out the difficulties in proving criminal intent.

There are a number of reasons to act: the size of the problem, the unfairness between small and large companies, consistency in the way we treat tax evasion, our desire for equivalence recognition, the signals that we want to send about the character of our post-Brexit financial regulatory system and, perhaps most of all, because it is a good thing to do. For those reasons, I hope the Minister will consider the proposals in the new clause.

3.30 pm

John Glen: The new clause proposes to create a new criminal offence, for FCA-regulated persons only, of facilitating economic crime and of failing to prevent economic crime.

In recent years, the Government have taken significant action to improve corporate governance and culture in the financial services industry. Following the financial crisis we introduced the new senior managers and certification regime. The regime is now in place for all FCA-regulated firms, and it requires firms to allocate to a specific senior person a senior management function for overseeing the firm's efforts to counter financial crime. If there is a failure in a firm's financial crime systems and controls, the FCA can take action against the responsible senior manager where it is appropriate to do so. That enforcement action includes fines and prohibition from undertaking regulated activities.

As well as creating the senior managers regime, through the Money Laundering Regulations 2017 and subsequent amendments, the Government have recently strengthened the anti-money laundering requirements that financial services firms must adhere to. Failure to comply with these requirements can be sanctioned through either civil or criminal means. Recent FCA regulatory penalties related to firms' anti-money laundering weaknesses include a £102 million fine for Standard Chartered in April 2019 and a £96.6 million fine for Goldman Sachs in October 2020.

[John Glen]

I hope that recent action demonstrates to the Committee that the Government are committed to upholding a robust framework that deters and sanctions any corporate criminal activity in the financial services industry. It is only right that we challenge ourselves on whether we need to go further, and I listened very carefully to the right hon. Gentleman. Regardless of our tenure, the Government must always take that responsibility seriously.

In 2017, the Government issued a call for evidence on whether corporate liability law for economic crime needed to be reformed. It is fair to say that the findings of the call for evidence were inconclusive. As such, the Government's response to the call for evidence determined that a more comprehensive understanding of the potential options and implications of reform was needed. As the right hon. Gentleman acknowledged, the Government have therefore tasked the Law Commission to conduct an expert review on this issue.

Through the Bribery Act 2010 and the Criminal Finances Act 2017, the Government have demonstrated we are open to new "failure to prevent" offences. These offences, however, were legislated for because there was clear evidence of gaps in the relevant legal frameworks, which were limiting the bringing of effective and dissuasive enforcement proceedings.

Before any broader new "failure to prevent" offence for economic crime is introduced, there needs to be strong evidence to support it. It will also be important that any new offence is designed rigorously, with specific consideration given to how it sits alongside associated criminal and regulatory regimes and to the potential impacts on business. The scope of who a new offence applies to must also be holistically worked through.

The Law Commission's work will take some time, but it is clear that we are zoning in on that aspect of the problem. In the light of that response, I ask the right hon. Gentleman to withdraw the new clause.

Mr McFadden: I am happy to withdraw the new clause today, but I suspect the Minister might meet a very similar amendment later in proceedings on the Bill. I beg to ask leave to withdraw the clause.

Clause, by leave, withdrawn.

New Clause 26

Legal protections for retail clients against the mis-selling of financial services

'(1) Regulation 3 (Private Person) of the Financial Services and Markets Act 2000 (Rights of Action) Regulations 2001 is amended as follows.

(2) In paragraph 1(a), after "individual", insert ", partnership or body corporate that is or would be classified as a retail client".

(3) In paragraph 1(b), leave out "who is not an individual", and insert "not within the definition of paragraph 1(a)".

(4) For the purposes of this regulation, a "retail client" means a client who is not a professional client within the meaning set out in Annex II of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.'—*(Stephen Flynn.)*

This new clause seeks to give retail clients greater legal protections against the mis-selling of financial services products.

Brought up, and read the First time.

Stephen Flynn (Aberdeen South) (SNP): I beg to move, That the clause be read a Second time.

The Chair: With this it will be convenient to discuss the following:

New clause 27—*Legal protections for small businesses against the mis-selling of financial services—*

'(1) Regulation 3 (Private Person) of the Financial Services and Markets Act 2000 (Rights of Action) Regulations 2001 is amended as follows.

(2) In sub-paragraph (1)(a), leave out "individual" and insert "relevant person".

(3) In sub-paragraph (1)(b), leave out "individual" and insert "relevant person".

(4) After paragraph 1, insert—

"(1A) For the purposes of this regulation, a "relevant person" means—

(a) any individual;

(b) any body corporate which meets the qualifying conditions for a small company under sections 382 and 383 Companies Act 2006 in the financial year in which the cause of action arises;

(c) any partnership which would, if it were a body corporate, meet the qualifying conditions for a small company under section 382 Companies Act 2006 in the financial year in which the cause of action arises."'

This new clause seeks to give small businesses greater legal protections against the mis-selling of financial services products.

Stephen Flynn: New clause 26 seeks to give retail clients greater legal protection against the mis-selling of financial services products, and new clause 27 seeks to give small businesses greater legal protections against the mis-selling of financial services products. I want to make a couple of quick remarks on that matter.

I do not need to tell hon. Members how important small businesses are. They make up three fifths of employment, and half the turnover in the UK private sector goes through small businesses. Those are telling figures. What is more, just 36% of small businesses use external finance; indeed, seven in 10 would rather forgo any growth than take on external finance. That is an important point that the Government must reflect on.

As they deliberate on why that may be the case, I will provide some additional information. There is a history of mis-selling, which causes small businesses a great deal of concern. Although regulation has been tightened, gaps remain. For example, small businesses complained earlier this year about the mis-selling of interest rate swaps. The FCA found that 90% of those businesses did not have a clue what that meant in reality, and it went on to talk about the dialogue between sophisticated and unsophisticated businesses in that regard.

The ultimate issue is that small businesses did not know what they were getting themselves into, and I think that is telling. No one wants that situation to arise, now or in the future. I encourage the Government to take heed of that and, therefore, agree to both new clauses.

John Glen: The Government are committed to ensuring that the interests of individuals and businesses that use financial services are protected. With the creation of the conduct-focused Financial Conduct Authority in 2013,

we have ensured that those interests continue to be placed at the heart of our regulatory system and given the priority that they deserve.

The Government have given the FCA a strong mandate to stop inappropriate behaviour in financial services, and it has a wide range of enforcement powers—criminal, civil and regulatory—to protect consumers and businesses alike. That means taking action against firms and individuals that do not meet appropriate standards.

These new clauses, which have been tabled by the hon. Members for Glasgow Central and for Aberdeen South, seek to broaden the scope of parties that can seek action for damages related to mis-selling of financial services. The changes are unnecessary, however, because businesses already have robust avenues for pursuing financial services complaints. The Government are committed to ensuring that we do not unnecessarily push up the cost of borrowing for small businesses by creating additional legislative burdens.

In April 2019, the remit of the Financial Ombudsman Service was expanded to allow more SMEs to put forward complaints, and that covers 97% of SMEs in the UK. An enterprise that employs fewer than 50 people and has a turnover that does not exceed £6.5 million is entitled to bring a complaint to the FOS. If that complaint is upheld, the FOS can make an award of up to £350,000 in relation to acts or omissions that took place on or after 1 April 2019.

Moreover, SMEs will also have access to the business banking resolution service, an independent non-governmental body, which will provide dispute resolution for businesses. It will serve two purposes. First, it will address historical cases from 2000, which would now be eligible for the FOS but which were not at the time, and which have not been through another independent redress scheme. Secondly, it will address future complaints from businesses with a turnover of between £6.5 million and £10 million.

Given the robust avenues that are available to businesses for pursuing financial services complaints, I hope the Committee will agree that the new clauses are not necessary, and I respectfully ask the hon. Members not to press them.

Stephen Flynn: I beg to ask leave to withdraw the clause.

Clause, by leave, withdrawn.

New Clause 29

Review of Impact of Scottish National Investment Bank Powers

"(1) The Chancellor of the Exchequer must review the effect of the use of the powers in this Act in Scotland and lay a report of that review before the House of Commons within six months of the date on which this Act receives Royal Assent.

(2) A review under this section must consider the effects of the changes on—

(a) business investment,

(b) employment,

(c) productivity,

(d) inflation,

(e) financial stability, and

(f) financial liquidity.

(3) The review must also estimate the effects on the changes in the event of each of the following—

(a) the Scottish Government is given no new financial powers with respect to carrying over reserves between financial years,

(b) the Scottish Government is able to carry over greater reserves between financial years for use by the Scottish National Investment Bank.

(4) The review must under subsection 3(b) consider the effect of raising the reserve limit by—

(a) £100 million,

(b) £250 million,

(c) £500 million, and

(d) £1,000 million." —*(Alison Thewliss.)*

This new clause requires a review of the impact of providing Scottish Government powers to allow the SNIB to carry over reserves between financial years beyond its current £100m limit.

Brought up, and read the First time.

Alison Thewliss: I beg to move, That the Clause be read a Second time.

New clause 29 would require a review of the impact of providing the Scottish Government with powers to allow the Scottish National Investment Bank to carry over reserves between financial years beyond its current £100 million limit. As Members may know, the Scottish National Investment Bank has been firmly established as a public limited company and has a proposed mission to focus the bank's activities on addressing key challenges and creating inclusive long-term growth, including

"supporting Scotland's transition to net zero, extending equality of opportunity through improving places, and harnessing innovation to enable Scotland to flourish.

It will provide patient capital—a form of long-term investment—for businesses and projects in Scotland, and catalyse further private sector investment."

The bank's first investment, announced the other week, was £12.5 million to the Glasgow-based laser and quantum technology company, M Squared, to support the company's further growth in Scotland, which speaks to the bank's proposed core missions.

The Scottish National Investment Bank will help to tackle some of the biggest challenges we face in the years to come, delivering economic, social and environmental returns, but currently there is a slight barrier, in that the Scottish Government can only roll over £100 million of their annual reserves. We are asking for the UK to look at increasing that to allow the Scottish National Investment Bank to get on with the job that it is set up to do.

As the Committee can see, the new clause asks the Government to introduce an impact assessment—because that is what we can do in this Committee; we can ask for reports and impact assessments—looking at increasing the Scottish Government's reserves by £100 million, £250 million, £500 million or £1 billion for business investment, employment, productivity, inflation, financial stability and financial liquidity. We need the Government to come on board with that and provide some help to us. It is a huge and important project, so much so that the UK Government seem to be copying it by having an investment bank.

We would like to have an infrastructure bank for Scotland that can meet Scotland's needs and priorities. It is desperately important that we do that. The bank

[Alison Thewliss]

will learn from banks such as KfW in Germany, which was set up after the war by the UK, and then we learned nothing from it ourselves. We want to be able to get on and do this and invest in Scotland's future, but unfortunately we need the Government's co-operation at this point to do that.

John Glen: The UK Government are committed to supporting investment across the whole of the United Kingdom. Indeed, at the spending review, we confirmed our intention to establish a new infrastructure bank in the UK that will help to support infrastructure projects across the whole of the UK, including in Scotland. I was therefore pleased to see the Scottish Government launch their Scottish National Investment Bank on 23 November.

The new clause seeks to establish a review process for considering whether the Scottish Government's reserve flexibility should be increased and expanded for use by the Scottish National Investment Bank. We have already agreed significant financial flexibilities with the Scottish Government as part of the Scotland Act 2016 and their fiscal framework, which provide unprecedented policy levers to shape Scotland's economy, including a £700 million Scottish reserve. The Scottish Government are able to manage the Scottish National Investment Bank through those existing arrangements if they choose to prioritise that.

Furthermore, we have agreed to undertake a review of the Scottish Government's fiscal framework. That will include an independent report, jointly commissioned with the Scottish Government, next year in 2021, followed by a renegotiation of the fiscal framework in 2022. I therefore think in light of that information that the hon. Member might consider withdrawing the new clause.

Alison Thewliss: I am not going to withdraw it. The Minister has an absolute cheek, and he knows it. We were working on the bank for quite some time, and it has opened its doors and is already lending money while the UK Government are still only talking about their bank. Help us do the job and help us make sure that we can make this work for Scotland's future, because, frankly, we do not trust the UK Government to do that for us, and we have good grounds for that.

When the UK Government invested in things in Scotland before, we ended up with things such as the Skye bridge, for which we were paying well over the odds. When Scotland is able to invest in things, we build bridges such as the Forth replacement crossing—sorry, the Queensferry crossing—which is an excellent bridge for us all to use in the future. I will press the new clause to a vote.

3.45 pm

Question put, That the clause be read a Second time.

The Committee divided: Ayes 6, Noes 10.

Division No. 14]

AYES

Creasy, Stella
Flynn, Stephen
McFadden, rh Mr Pat
Oppong-Asare, Abena
Smith, Jeff
Thewliss, Alison

NOES

Baldwin, Harriett
Clarkson, Chris
Davies, Gareth
Glen, John
Jones, Andrew
Marson, Julie
Millar, Robin
Richardson, Angela
Rutley, David
Williams, Craig

Question accordingly negatived.

New Clause 31

Parliamentary scrutiny of FCA provisions

"(none) Any provision made by the Financial Conduct Authority under this Act may not be made unless a draft of the provision has been laid before and approved by a resolution of the House of Commons." —*(Stephen Flynn.)*

This new clause subjects FCA provisions under this Act to the affirmative scrutiny procedure in the House of Commons.

Brought up, and read the First time.

Stephen Flynn: I beg to move, That the clause be read a Second time.

The Chair: With this it will be convenient to discuss

New clause 32—*Scrutiny of FCA Powers by committees*—

"(1) No provision may be made by the Financial Conduct Authority under this Act unless the conditions in subsection (2) are satisfied.

(2) The conditions in are that—

(a) a new statutory committee comprising Members of the House of Commons has been established to scrutinise financial regulation, and

(b) a new statutory committee comprising Members of the House of Lords has been established to scrutinise financial regulation.

(3) The Treasury must, by regulations, make provision for and about those committees.

(4) Those regulations must provide that the committees have at least as much power as the relevant committees of the European Union."

This new clause requires statutory financial regulation scrutiny committees to be established before the FCA can make provisions under this Bill.

Stephen Flynn: I will be incredibly brief. Again, both new clauses 31 and 32 are about oversight and scrutiny. I have absolutely no doubt that Conservative Members will want to take back parliamentary sovereignty and ensure that this place has oversight of the Government's actions.

John Glen: I think I have previously detailed my response to new clauses 22 and 26 why it would not be appropriate for Parliament to scrutinise all regulator rules made in relation to those two specific measures. These new clauses go further, and would require all rules made by the Financial Conduct Authority in relation to anything within this Bill to be approved by Parliament before the rules can be made, and would prevent the FCA from exercising its powers effectively. New clause 31 would make the FCA's rule making subject to parliamentary approval. New clause 32 prevents the FCA from making rules under the Bill until two new parliamentary Committees are established. The same arguments that I made previously are relevant here: new

clause 31 would apply a higher level of parliamentary scrutiny—to the FCA only—when making rules in areas covered by the Bill. That would mean that those areas were inconsistent with other areas of financial services regulation not covered by this Bill or within the remit of the Prudential Regulation Authority, which will retain the existing scrutiny requirements.

Parliament would need routinely to scrutinise a large number of detailed new rules on an ongoing basis. That is very different from the model that Parliament has previously put in place for the regulators under the Financial Services and Markets Act 2000, where it has judged it appropriate for the regulators to take these detailed technical decisions where they hold expertise.

Turning briefly to new clause 32, although I note that Select Committees of both Houses already have the option to scrutinise the regulators as they see fit, it is naturally for Parliament to decide how best it wishes to scrutinise financial services regulation. However, I do not believe that it is appropriate to make the introduction of an investment firms prudential regime, or any of the other changes enabled by this Bill, subject to the establishment of new parliamentary Committees. Nor do I believe it is for the Treasury to make regulations related to the establishment or functioning of parliamentary Committees. As the right hon. Member for Wolverhampton South East pointed out in an earlier sitting, that is a matter for the House to decide.

I would like to reassure the Committee that I am committed to ensuring appropriate accountability and scrutiny around new rules for our financial sector. That is why I recently published a consultation document on the review of the future regulatory framework for financial services. This review seeks to achieve the right split of responsibilities between Parliament, Government, and the regulators now that we have left the EU. It seeks views, including those of all parliamentarians, on how we can best scrutinise and hold the regulators to account, while respecting and safeguarding their independence. I look forward to engaging with hon. Members on that subject but, given what I have said, I suggest that they might consider withdrawing the new clause.

Stephen Flynn: I am not surprised, but I am disappointed. I would like press new clause 31 to a vote.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 6, Noes 10.

Division No. 15]

AYES

Creasy, Stella
Flynn, Stephen
McFadden, rh Mr Pat
Oppong-Asare, Abena
Smith, Jeff
Thewliss, Alison

NOES

Baldwin, Harriett
Clarkson, Chris
Davies, Gareth
Glen, John
Jones, Andrew
Marson, Julie
Millar, Robin
Richardson, Angela
Rutley, David
Williams, Craig

Question accordingly negatived.

New Clause 33

Review of impact of Act on UK meeting Paris climate change commitments

"The Chancellor of the Exchequer must conduct an assessment of the impact of this Act on the UK meeting its Paris climate change commitments, and lay it before the House of Commons within six months of the day on which this Act receives Royal Assent."—*(Alison Thewliss.)*

This new clause would require the Chancellor of the Exchequer to review the impact of the Bill on the UK meeting its Paris climate change commitments.

Brought up, and read the First time.

Alison Thewliss (Glasgow Central) (SNP): I beg to move, That the clause be read a Second time.

The Chair: With this it will be convenient to discuss new clause 34—*Review of impact of Act on UK meeting UN Sustainable Development Goals—*

"The Chancellor of the Exchequer must conduct an assessment of the impact of this Act on the UK meeting the UN Sustainable Development Goals, and lay it before the House of Commons within six months of the day on which this Act receives Royal Assent."

This new clause would require the Chancellor of the Exchequer to review the impact of the Bill on the UK meeting the UN Sustainable Development Goals.

Alison Thewliss: I will be brief. It is important that the Government take their obligations under the Paris climate change commitments and the UN sustainable development goals seriously. I did not know when we tabled these new clauses that my son would be studying the sustainable development goals at his school this week. It would be very good if the Government took the sustainable development goals quite as seriously as the primary 6 pupils I know.

John Glen: It is clear that this new clause is similar to other amendments. We have discussed the issues in relation to Basel and PRIIPs measures, and new clauses 33 and 34 would mean that they would apply to a Bill as a whole. As I have set out in previous responses, we are committed to meeting international obligations and strongly support the aims of the Paris agreement and the sustainable development goals. That will mean a combined effort across the whole economy, especially with the involvement of financial services. As the Chancellor set out in his statement, they will be at the heart of that effort. We are pursuing world-leading standards, and ahead of COP26 the Prime Minister's COP26 finance adviser, Mark Carney, will advise the Government on embedding climate considerations into every financial decision.

These new clauses would require the provision of an assessment of the impact of the Bill, specifically on the UK's ability to meet its commitments to the Paris agreement and sustainable development goals. We published in June 2019 a voluntary national review, setting out in detail our progress towards those goals, and a comprehensive account of the further action to be taken, and we remain committed to supporting the implementation of those goals. We therefore cannot support these new clauses, as we believe that we are held

[John Glen]

to account through other mechanisms. That is probably all I need to say. I suggest that the clause may be able to be withdrawn on that basis.

Alison Thewliss: I am happy to do so. I beg to ask leave to withdraw the clause.

Clause, by leave, withdrawn.

New Clause 35

MONEY LAUNDERING AND OVERSEAS TRUSTEES: REVIEW

"(1) The Treasury must, within six months of this Act being passed, prepare, publish and lay before Parliament a report on the effects on money laundering of the provisions in section 31 of this Act.

(2) The report must address—

(a) the anticipated change to the volume of money laundering attributable to the provisions of section 31; and

(b) alleged money laundering involving overseas trusts by the owners and employees of Scottish Limited Partnerships."—*(Alison Thewliss.)*

This new clause would require the Treasury to review the effects on money laundering of the provisions in section 31 of this Act, and in particular on the use of overseas trusts for the purposes of money laundering by owners and employees of Scottish Limited Partnerships.

Brought up, and read the First time.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 6, Noes 10.

Division No. 16]

AYES

Creasy, Stella
Flynn, Stephen
McFadden, rh Mr Pat
Oppong-Asare, Abena
Smith, Jeff
Thewliss, Alison

NOES

Baldwin, Harriett
Clarkson, Chris
Davies, Gareth
Glen, John
Jones, Andrew
Marson, Julie
Millar, Robin
Richardson, Angela
Rutley, David
Williams, Craig

Question accordingly negatived.

New Clause 37

REGISTERED SOCIETIES WITH WITHDRAWABLE SHARE CAPITAL: REMOVAL OF RESTRICTION ON BANKING

"(1) The Co-operative and Community Benefit Societies Act 2014 shall be amended as follows.

(2) In section 4, leave out subsections (1) and (2).

(3) Leave out sections 67 and 68.

(4) In section 69, leave out subsection (2)."—*(Stella Creasy.)*

This new clause would revoke restrictions in the Co-operative and Community Benefit Societies Act 2014 on registered societies with withdrawable share capital from undertaking banking activities.

Brought up, and read the First time.

Stella Creasy: I beg to move, That the clause be read a Second time.

This is the final new clause for the final bit of the Bill, so I am hoping that this time round, given the season, the Minister will withdraw his Scrooge-like refusal to amend the Bill, not least because I genuinely think that on this new clause and this area of policy he probably agrees and recognises that there has been an oversight in its consideration. I also hope that Government Members will support the new clause, because it is surely what they came into office to do—to remove the red tape and bureaucracy that holds back enterprising, entrepreneurial people in our local communities.

I speak as a proud Co-op as well as Labour MP, and this new clause is about co-operative banking—perhaps not what people might first think of when they talk about co-operative banking, but it is about how mutual banks are set up. Local mission-led mutual banks are common in other parts of the world, but not so much here in the UK. They are, however, something that people are increasingly looking at and trying to support, particularly around Greater Manchester and elsewhere, and local leaders in Liverpool and Preston have plans to establish such institutions as well.

As people would understand, is quite difficult to start a bank: there are often requirements, even for a standard for-profit shareholder-controlled model. Much of the difficulty boils down to the challenges involved in raising the amount of equity capital that regulators require for institutions before they will issue an operating licence. That is what we are talking about today. Frankly, someone would need to raise millions in equity to get a banking licence.

The problem for mutual banks is that many investors struggle to understand what a mutual is. Ultimately, the mutual might offer good long-term returns, but there are no opportunities for those bumper dividends or speculative gains that people might traditionally associate with banking. That is part of a model that invests in communities, supports people and has people as part of the process. People think about credit unions; this is about what the 21st century co-operative banking models might be.

One of the challenges holding back the co-op movement is an antiquated piece of legislation. Let me be clear: the passage of the Co-operative and Community Benefit Societies Act 2014 was very welcome and helped to level the playing field. The capital requirements regulations are a hangover from Disraeli's time. Those provisions can be traced back to the Industrial and Provident Societies Act 1876. I am talking about simply removing them from the legislation, because the requirements that they make are already covered for co-operative banks by other forms of prudential regulation in the Bill. Their existence creates an artificial level of complexity for the setting up of co-operative banks.

I do not want to go into too much detail, but the law currently prevents co-operative societies from being banks if they have what is called withdrawable share capital. That restriction was imposed in 1876; things have moved on. First, we now separate and have strong regulation of banks' capital adequacies, as we discussed earlier in the Bill process. Furthermore, we have clear and specific regulation setting out how co-operative withdrawable share capital can safely be used to help to capitalise banks. It is firmly established today that societies retain the absolute right to suspend share withdrawals, giving their capital the essential features of equity under international and UK accounting standards.

If mutual banks were able to add withdrawable share capital to their mix, that would help to enable them to diversify their offer to investors and therefore broaden the range of investors to whom they could be marketed. It would open up significant opportunities for co-operative banks to get off the ground, because they would have the ability to raise the equity that they need to get a banking licence. Surely, Members from all parties can agree, in good Christmas cheer, that such competition in our banking sector would be a good thing, so it would also be a good thing to remove this archaic piece of legislation on capital equity from the legislation book.

The Bill is about financial services, and the co-operatives throughout the country want to offer financial services. The Minister may still be drawing on pot 3, on the Ghosts of Christmas past and present, but on the Ghost of Christmas future, in the Lords or on Report, might he give us a glimmer of hope, Tiny Tim-style, that he will listen to the co-operative banking sector? They have written to him in support of this amendment and I know he has met representatives from the sector to look at what more he can do to support them. I hope he will remove these pieces of red tape and take back control of the mutual sector this Christmas.

4 pm

John Glen: I am grateful for the enticement to be generous, but I was quite generous on new clause 8. I gave some positive indications about the intentions of the Government, and I look carefully at everything that is said by Members from across the Committee. I am very engaged with the mutual banks and with the co-operative sector generally, which I will say more about in a moment.

This amendment aims to remove the restriction which prevents co-operative societies holding withdrawable share capital from carrying out the business of banking. I share the interest of the hon. Member for Walthamstow in how the mutual model of financial services can add much-needed diversity and competition to the sector. Treasury officials and I have had constructive conversations with individuals seeking to set up regional mutual banks, and I look forward to continuing those. I will not mention their names, because they are going through different regulatory processes, and I am told that that is sensitive and so I should not do so. I try to help them.

Ensuring that banks hold the appropriate capital is critical to a stable and functioning financial system. It is therefore important that we consider any legislative changes in this area. I have thought about the amendment, and there are several immediate concerns about the potential risks to financial stability and consumer protection, which the Government have a duty to consider.

I will set out our most pressing concerns. As the global financial crisis highlighted, sufficient regulatory capital is needed by financial institutions as a source of resilience and to ensure losses can be effectively absorbed. To ensure capital fulfils this function, capital held by banks must always be readily available to absorb losses, which cannot be the case where investors can withdraw capital. Enabling co-operative banks to hold withdrawable share capital, as this amendment intends, could place consumer deposits at risk, create an inconsistent regulatory regime between co-operative and non-co-operative banks, and cause risks to the stability of the financial system, if it led to banks being inadequately or inappropriately capitalised.

I have had representations from the prospective regional mutual banks sector that they would seek to use this amendment to issue additional tier 1 capital instruments, or contingent convertible bonds. These are complex instruments that would need further thought to ensure they fulfilled their purpose within the legislative framework for co-operatives. It is also unlikely that the ability to raise additional tier 1 capital would be very beneficial to regional mutual banks currently, given they are at the early stages of their development where raising core equity capital is the priority.

I also note that the activity of deposit taking, in the form of withdrawable share capital that co-operatives and community benefit societies carry out under the present legislation, is subject to certain exemptions from regulatory requirements, which are applicable to other institutions carrying out business activities. These may no longer be appropriate if they were generally allowed to carry out the business of banking.

In conclusion, the Government believe that the fundamental issue is that it is not appropriate for deposit takers to rely on withdrawable share capital. In any case, certainly a measure like this would need further consideration of the legislative and regulatory implications rather than being introduced by way of amendment. I will continue to look carefully at these matters with the sector, but in the context of what I have said I ask the hon. Member for Walthamstow to withdraw her amendment.

Stella Creasy: I am so sorry to hear that the Minister is still listening to Marley rather than Bob Cratchit about the true spirit of Christmas. This is legislation from the 1800s. It is about £400 worth of share capital. It is outdated and needs a little more Christmas cheer. The Minister said that he would commit to working with the sector to get this amendment right, and if amended this Bill could be great. I think I will push the new clause to a vote—if nothing else, to put on the record that there are those of us who understand that co-ops want to move into the 21st century—and wish everyone a merry Christmas at the same time.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 6, Noes 10.

Division No. 16]

AYES

Creasy, Stella
Flynn, Stephen
McFadden, rh Mr Pat
Oppong-Asare, Abena
Smith, Jeff
Thewliss, Alison

NOES

Baldwin, Harriett
Clarkson, Chris
Davies, Gareth
Glen, John
Jones, Andrew
Marson, Julie
Millar, Robin
Richardson, Angela
Rutley, David
Williams, Craig

Question accordingly negatived.

New Clause 38

Duty of care specification

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

(2) After Section 1C insert—

'1CA Duty of care specification

(1) In securing an appropriate degree of protection for consumers, the FCA must ensure authorised persons carrying out regulated activities are acting with a Duty of Care to all consumers.

(2) Matters the FCA should consider when drafting Duty of Care rules include, but are not limited to—

(a) the duties of authorised persons to act honestly, fairly and professionally in accordance with the best interest of their consumers;

(b) the duties of authorised persons to manage conflicts of interest fairly, both between themselves and their clients, and between clients;

(c) the extent to which the duties of authorised persons entail an ethical commitment not merely compliance with rules;

(d) that the duties must be owned by senior managers who would be accountable for their individual firm's approach.'"—*(Alison Thewliss.)*

This new clause would mean that the FCA would need to ensure that financial services providers are acting with a duty of care to act in the best interests of all consumers.

Brought up, and read the First time.

Question put, That the clause be read a Second time,

The Committee divided: Ayes 6, Noes 10.

Division No. 17]

AYES

Creasy, Stella
Flynn, Stephen
McFadden, rh Mr Pat
Oppong-Asare, Abena
Smith, Jeff
Thewliss, Alison

NOES

Baldwin, Harriett
Clarkson, Chris
Davies, Gareth
Glen, John
Jones, Andrew
Marson, Julie
Millar, Robin
Richardson, Angela
Rutley, David
Williams, Craig

Question accordingly negatived.

Mr McFadden: On a point of order, Dr Huq, I would like to thank you and Mr Davies for your chairmanship during the proceedings, and the Clerks from the Public Bill Office for helping all of us with our amendments in recent weeks. I would like to thank my colleagues on the Opposition side of the Chamber; I believe we approached this in the right spirit. We set out at the beginning the way we would approach it and I think that is the way that we have carried through: trying to improve the Bill, to give it proper scrutiny and to try to point to some kind of future direction for UK financial services as we come to the end of the transition period. Some of us here are Front-Bench Members and this is part of our terms of appointment, so, with their indulgence, I would particularly like to thank my hon. Friends the Members for Wallasey and for Walthamstow, who I believe both brought considerable experience and value to our proceedings.

I would like to thank the Minister for his patience and forbearance. We did not set out to torture him, I promise, but I appreciate that for him, taking through a Bill like this is a substantial piece of work, and I am grateful to him for the spirit in which he responded to amendments, questions and so on as we went through. Finally, I thank the Back Benchers on the Government side. For the most part they took a rather passive approach to the proceedings. There is a mixture of experience and new MPs on that side. To the new MPs in particular I will say that I hope the last three weeks have been an important part of their learning about what it means to be a Government Back Bencher.

John Glen: Further to that point of order, Dr Huq, I thank the right hon. Member for Wolverhampton South East for the courteous and constructive way in which he led the Opposition scrutiny of the Bill. I thank all members of the Committee for their contributions. I looked carefully at all amendments, and I did not categorise them in buckets. I thank you, Dr Huq, and your colleague Philip Davies, and the team of Clerks, as well as my officials from the Treasury, who sit silently at the end and do a great deal to support me and the much wider team back in the Treasury who have helped to prepare the Bill. Clearly, we shall now move on to its further stages, and there is more work to do. I thank my hon. Friend the Member for Macclesfield for his support, in particular, as well as my hon. Friend the Member for Montgomeryshire, who has given me enormous support throughout.

Alison Thewliss: Further to that point of order, Dr Huq, I thank you for your time in the Chair, and Philip Davies as well. I want to thank colleagues for their contributions, the Clerks for all their assistance, and the Treasury officials, who were good about meeting us ahead of the proceedings. That was really useful. I thank our team of researchers, Scott Taylor and Linda Nagy, who have been great in providing support to us. I also thank those who sent evidence to the Committee. That was extremely useful for briefings, and we were grateful.

The Minister said earlier that he was not saying no or never; I live in hope that some time he will say mibbes aye. We might get there, yet. I said on Second Reading that we would bring forward constructive amendments and the Government would ignore them, and that turned out to be what happened, but we hope that on Report perhaps some of the good Opposition suggestions, made with the best intentions to make things better for all our constituents, will be taken on board. I thank the Minister for his work on the issue.

The Chair: Yes, it has been epic, and we have had the Oscar-type speeches that everyone makes at the end. I am sure that all right hon. and hon. Members were actively engaged in their own way, whether they were trying out the financial products on their screens, or whatever. A few letters are on their way, I believe, from the Minister about some points of detail raised by Members.

Bill, as amended, to be reported.

4.13 pm

Committee rose.

Written evidence reported to the House

FSB11 Financial Conduct Authority (supplementary)

FSB12 Co-operatives UK

FSB13 StepChange Debt Charity (supplementary)