

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

FINANCIAL SERVICES AND MARKETS BILL

Eighth Sitting

Tuesday 1 November 2022

(Afternoon)

CONTENTS

CLAUSES 60 TO 63 agreed to.

SCHEDULE 14 agreed to.

CLAUSES 64 TO 73 agreed to, some with amendments.

Adjourned till Thursday 3 November at half-past Eleven o'clock.

Written evidence reported to the House.

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Saturday 5 November 2022

© Parliamentary Copyright House of Commons 2022

This publication may be reproduced under the terms of the Open Parliament licence, which is published at www.parliament.uk/site-information/copyright/.

The Committee consisted of the following Members:

Chairs: † MR VIRENDRA SHARMA, DAME MARIA MILLER

† Bacon, Gareth (*Orpington*) (Con)
 Bailey, Shaun (*West Bromwich West*) (Con)
 † Baldwin, Harriett (*West Worcestershire*) (Con)
 † Davies, Gareth (*Grantham and Stamford*) (Con)
 † Docherty-Hughes, Martin (*West Dunbartonshire*)
 (SNP)
 † Eagle, Dame Angela (*Wallasey*) (Lab)
 Grant, Peter (*Glenrothes*) (SNP)
 † Griffith, Andrew (*Economic Secretary to the*
Treasury)
 † Hammond, Stephen (*Wimbledon*) (Con)

† Hardy, Emma (*Kingston upon Hull West and*
Hessle) (Lab)
 † Hart, Sally-Ann (*Hastings and Rye*) (Con)
 † McDonagh, Siobhain (*Mitcham and Morden*) (Lab)
 † Mak, Alan (*Havant*) (Con)
 † Morrissey, Joy (*Beaconsfield*) (Con)
 † Siddiq, Tulip (*Hampstead and Kilburn*) (Lab)
 † Tracey, Craig (*North Warwickshire*) (Con)
 † Twist, Liz (*Blaydon*) (Lab)

Bradley Albrow, Simon Armitage, *Committee Clerks*

† **attended the Committee**

Public Bill Committee

Tuesday 1 November 2022

(Afternoon)

[MR VIRENDRA SHARMA *in the Chair*]

Financial Services and Markets Bill

Clause 60

BANK OF ENGLAND LEVY

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

2 pm

The Chair: With this it will be convenient to discuss clause 61 stand part.

The Economic Secretary to the Treasury (Andrew Griffith): It is a pleasure to serve under your chairmanship, Mr Sharma.

Clauses 60 and 61 deliver on the Government's commitment to replace the Bank of England's cash ratio deposit scheme with a new Bank of England levy. Under the cash ratio deposit scheme, banks and building societies with over £600 million in eligible liabilities must place a portion of their deposits with the Bank on a non-interest-bearing basis. The Bank then invests the deposits, and the income generated is used to fund the costs of the Bank's monetary policy and financial stability functions.

However, the Bank of England's policy remit and policy responsibilities have grown in recent years, and the cash ratio deposit scheme has not generated the income required to fully fund those functions. As a result, the shortfall has been funded by the Bank's capital and reserves. Clause 60 replaces the scheme with a new Bank of England levy, repeals the provisions governing the cash ratio deposit scheme in the Bank of England Act 1998, and inserts new section 6A and new schedule 2ZA into the Act.

As with the cash ratio deposit scheme, the new levy will fund the Bank's financial stability and monetary policy activities. The same eligible financial institutions participating in the cash ratio deposit scheme will pay the levy, with contributions proportionate to their size. Each year, the Bank will be required to publish information setting out the policy functions that it intends to fund through the levy, and the amount that it intends to levy.

The Bank will remain subject to National Audit Office value-for-money reviews to ensure that it remains cost-effective. The levy will deliver a more reliable and stable funding stream to the Bank, and banks and building societies will benefit from greater certainty about the size of their annual contributions towards those functions. Secondary legislation will be introduced in due course to set out further details of the operationalisation of the levy, including how institutions'

contributions will be determined. The Treasury will consult on the draft legislation and has committed to review it every five years.

Clause 61 simply makes a number of consequential amendments to the Bank of England Act 1998 that are required to reflect the new levy. The levy will provide greater certainty to the Bank, as well as to financial institutions. I therefore recommend that clauses 60 and 61 stand part of the Bill.

Emma Hardy (Kingston upon Hull West and Hessle) (Lab): The operation of the cash ratio deposit scheme referred to in clauses 60 and 61 is subject to changes in two variables—the gilt rate and the size of deposits eligible for the scheme—so I have two quick questions for the Minister. How did the recent crisis in the gilt market affect the Bank of England's income under the scheme, and how has the recent crisis in the gilt market, and the subsequent actions taken by the Bank, informed Government thinking on clauses 60 and 61?

Andrew Griffith: There is not a direct relationship between the recent turbulence in the gilt market and the Bank. The clauses will deliver a more reliable income stream to the Bank to fund its activities, because it will receive a levy rather than the income on the difference between interest-free deposits—the money that it gets from levy payers—and the returns that the Bank is able to harness from them.

The current scheme was set up in an environment of higher rates, when higher yields were obtainable. The recent experience over many years of much lower levels of return is the reason why the Bank has not been able to fully finance its activities simply from those interest-free deposits. I hope that answers the hon. Lady's question.

Question put and agreed to.

Clause 60 accordingly ordered to stand part of the Bill.

Clause 61 ordered to stand part of the Bill.

Clause 62

LIABILITY OF PAYMENT SERVICE PROVIDERS FOR FRAUDULENT TRANSACTIONS

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

Andrew Griffith: Clause 62 enables and requires the Payment Systems Regulator to take action to improve the reimbursement of victims of authorised push payment scams, or APP scams as they are commonly known. APP scams occur when someone is tricked into sending their money to a fraudster. Almost 200,000 cases of these scams were recorded in 2021, with known losses to victims totalling £583 million. Sadly, fraudsters often target the most vulnerable people in our society.

Under the European regulatory system that we have inherited, there is no statutory or regulatory requirement for payment service providers to reimburse victims of these scams. We need to do better and we can do better for victims of fraud in the UK.

Although the creation of a voluntary industry reimbursement code has improved matters, reimbursement outcomes for victims have been inconsistent and only around half the money stolen is being reimbursed. As a result, many victims are left facing significant losses; in the worst cases, victims lose their life savings.

We recognise these issues and so clause 62 does two things. First, it removes legal barriers in retained EU law that currently prevent regulatory action by the PSR. That will finally enable the PSR to mandate reimbursement in any payment system under its supervision.

The PSR has the relevant expertise, powers and objectives to tackle this crucial issue. However, regulation 90 of the Payment Service Regulations 2017, which form part of retained EU law, prevents the PSR from using its powers to require reimbursement. Therefore, clause 62(11) amends regulation 90 of the 2017 regulations to remove the existing legislative barrier to regulatory action. That will enable the PSR to use its relevant powers in relation to APP scam reimbursement across any payment system designated for regulation by the PSR.

Secondly, clause 62 places a specific duty on the PSR to take action in relation to the faster payments service. This service is the main UK instant payment system and is currently the payment system within which the highest volume of APP fraud is committed. Therefore, action is needed in this regard as a priority.

Clause 62 places a duty on the PSR to consult on a draft of the regulatory requirement in relation to the faster payments service within two months of this legislation coming into force, and the PSR must impose the requirement within six months of the clause coming into force. In 2021, 97% of APP scams occurred across the faster payments service, because it is the UK's main payment system for instant consumer-bank transfers. Therefore, by requiring the PSR to take action in relation to the faster payments service, the legislation will improve outcomes in the vast majority of APP scam cases.

As a result of the clause and subsequent regulatory action, consumers will be more consistently and comprehensively protected when they fall victim to an APP scam. This is a vital measure to ensure that customers are protected amid the growing threat posed by APP fraud.

I therefore recommend that the clause stand part of the Bill.

Tulip Siddiq (Hampstead and Kilburn) (Lab): Labour fully supports clause 62, which enhances protection for victims of authorised push payment schemes, but we are deeply disappointed that the Bill does nothing to strengthen fraud prevention.

When asked about fraud in February, the former Chancellor, the right hon. Member for Spelthorne (Kwasi Kwarteng), claimed that fraud and scams are not something that

“people experience in their daily lives”,

which is tone-deaf. Essentially, he dismissed crime as inconsequential. In the real world, countless lives have been destroyed by fraud and scams, and I am sure the Minister will have examples from constituents in his inbox. There is a new Chancellor now, but the lack of ambition in this Bill on fraud shows that the Government's approach to fraud remains the same. We will debate my new clause 6 on broader strategies for tackling fraud later, but I want to focus on the inadequacies of the provisions in clause 62.

UK Finance has estimated that the amount of money stolen directly from the bank accounts of hard-working families and businesses through fraud and scams has hit a record high of £1.3 billion. That is bad at the best of

times, but it is even worse in the midst of a deepening cost of living crisis. That is because the Government have failed to get to grips with new types of fraud, such as identity theft and online scams, which have seen people's life savings stolen and their economic security put at risk. I ask the Minister to explain why his Government continue to fail to take fraud seriously and continue to push responsibility on to just the banks. For example, the Bill ignores the fact that digitally savvy criminals are increasingly exploiting a range of financial institutions, such as payment system operators, electric money institutions and crypto asset firms, to scam the public.

In its written evidence to the Committee, Santander UK stated:

“Bringing crypto-exchanges into the scope of the Payment Systems Regulator's powers to mandate reimbursement for APP fraud would be consistent with the principle of ‘same risk, same regulation’ and would introduce important new protections for consumers in area where risk of fraud is significant.”

I ask the Minister to explain why clause 62 completely ignores the emerging fraud and scam risk that EMIs and crypto asset firms pose to the public. What is his response to Santander's evidence? Barclays similarly asked for clause 62 to be amended to expand the reimbursement protections beyond faster payments scheme payments to cover payments made over other relevant payment schemes or systems. Will the Minister explain why the Bill provides only for the reimbursement of fraud victims who send money using the faster payments system and why other payment systems have not been included in the scope of the Bill?

Emma Hardy: In reading the written evidence, there was an interesting cautionary tale from Mobile UK about how the banks introduced two-factor authentication through SMS without speaking to it. It found that fraudsters had worked out that they could get a one-time code by having a duplicate SIM card and intercepting the code sent from the bank, which immediately made me slightly worried about using two-factor authentication text message schemes. Mobile UK was able to find a way around that, but it highlights the need to involve as many stakeholders as possible when looking at fraud.

Mobile UK's evidence was damning. Its conclusion stated:

“The mobile sector is committed to fighting fraud; the banking sector is clearly also committed, but, from the fraudsters point of view, this is a very low risk crime, as the chances of being pursued are very slim. This has to change.”

I recognise that some of these points are outside the scope of the Bill, as they would involve policing, investment and national crime agencies, but there are lots more things that could be done in the Bill to deal with fraud.

In its written evidence, Barclays said it welcomed that all payments made over FPS are covered by the new protection, but that it

“would note there are other relevant commonly used payment schemes and systems that should benefit from the same protection—for example, the CHAPs payment scheme, and ‘on us’ payments... The Bill should therefore be amended to give the PSR power to require participants in other payment schemes to reimburse scam victims.”

That seems to be incredibly sensible advice from Barclays.

It was echoed in the evidence given by Which?:

[Emma Hardy]

“to avoid gaps in protections the PSR should also be required to work with other regulators to introduce reimbursement requirements, including for payments made between accounts held with the same bank or payment provider (which are regulated by the FCA) and for the CHAPs payment system used for high-value transactions”. That is exactly the same as what Barclays said.

There seems to be a lot of consensus among consumer representative groups such as Which? and in the banking sector about broadening out the provisions, looking at other ways in which fraudsters are working, and dealing with the issues raised by Mobile UK. At the moment, the people who are committing these frauds seem to be getting away with it.

2.15 pm

Andrew Griffith: I will be brief. We all join hands in taking any action that we can against fraudsters. It is a terrible crime, and one that is on the rise, and the Government will do everything in our power to take action.

I say to the hon. Member for Hampstead and Kilburn that I will take no lessons from the Opposition on fraud. The impediment to cracking down on this issue lies solely within EU law. It is this Government that have withdrawn from the European Union—a policy that her party now belatedly supports, but did not for many years. It is only by bringing forward this legislation and withdrawing from the European Union that we are able to put in place clause 62.

Martin Docherty-Hughes (West Dunbartonshire) (SNP)
rose—

Andrew Griffith: I will happily give way to my colleague, who I think, unlike the Opposition, still wants to be part of the European Union.

Martin Docherty-Hughes: Definitely. Is the Minister therefore saying that the European Union was promoting fraud within the financial framework of the United Kingdom of Great Britain and Northern Ireland? Is that what he just said?

Andrew Griffith: I wish the hon. Gentleman was attentive to what I was saying. That was not what I said; I did not use the word “promote” in any way. I said it was an impediment. Clause 62 addresses the fact that under retained EU law, it is not possible to take the action that we wish to take on push payment fraud. That is a fact, and that is why we came forward with the Bill. There are many other things the Government are doing outwith the Bill to tackle fraud, and I will happily sit down and talk with anybody—and meet with any party—who has practical suggestions to tackle fraud.

Dame Angela Eagle (Wallasey) (Lab): The Minister is reasonably new to his post, but will he look at the Treasury Committee’s report on fraud, which contains a great deal of very practical things the Government could do to crack down on what is a growing problem? Everybody recognises that the anti-fraud authorities—the people who are trying to fight this—are very fragmented, there is no co-ordination across the piece and there is

very little enforcement of the laws that are already there. That is why fraud is a growing problem—the rewards are so fantastic and the risks that fraudsters take are so miniscule that no fraudster is ever put off by the thought that they might get caught.

Andrew Griffith: I give way to the hon. Lady.

Tulip Siddiq: UK Finance found that fraud has hit a new high under this Government. Is the Minister going to blame the EU, once again, for that record high? Would he like me to send him the UK Finance report?

Andrew Griffith: I am sorely tempted, but I will resist the urge to rise to that.

If my officials can find the report to which the hon. Member for Wallasey refers, I will look at it, and outwith the Bill, I will ensure that our efforts are equal to the task. I accept that fraud is rising, and in particular that this level of fraud is rising. That is facilitated by both online technology—there are other measures outwith the Bill to tackle and police the unregulated online world—and, as we heard earlier, the shift from cash, which suffered from its own forms of fraud and theft, into a more digital world.

Emma Hardy: Will the Minister refer to the specific examples that Barclays and Which? raised around CHAPS payment and other payments? If he is unable to give a full response today, I hope that he will consider before Report whether we could extend some of the provisions in the clause to cover the specifics that Barclays and Which? raised.

Andrew Griffith: I can confirm to the Committee that, because the measure relates to all payment systems that fall within the remit of the Payment Systems Regulator, the measure is not confined solely to fast payment. Fast payment makes up about 97% of reported fraud—those are UK Finance figures—so of course it makes sense for it to be the first in our sights, but the clause will follow fraud and payment systems as they evolve. That is its whole purpose. It is not confined simply to the faster payment system. If that is the understanding that Barclays and Which? have, we should correct it, because any of the PSR-designated platforms are in scope.

Tulip Siddiq: The Bill provides for the reimbursement of fraud victims who send money using the faster payment system. Is the Minister saying that other payment systems are included in the scope of the Bill?

Andrew Griffith: Yes. If that is not correct, I will write to members of the Committee, but my understanding is that all the measures that we have been talking about cover the scope of the Payment Systems Regulator.

Question put and agreed to.

Clause 62 accordingly ordered to stand part of the Bill.

Clause 63

CREDIT UNIONS

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

The Chair: With this it will be convenient to discuss that schedule 14 be the Fourteenth schedule to the Bill.

Andrew Griffith: The Government are a strong supporter of the mutuals sector, and recognise the unique role that credit unions play in their communities. Clause 63 introduces schedule 14, which makes amendments to the Credit Unions Act 1979—a particularly good year—to allow credit unions in Great Britain to offer a wider range of products and services, thereby supporting the growth, diversification and development of the sector.

The Credit Unions Act 1979 sets out the regulatory framework for credit unions and specifies the products and services that they can provide. Schedule 14 adds proposed new subsection (3ZZA) to section 1 of the Act, introducing a new optional object, or objective, for credit unions, which specifies additional products and services that they may now choose to offer. The services included are hire purchase agreements, conditional sale agreements, and insurance distribution services. When the Association of British Credit Unions Ltd consulted the sector in 2019, those were the additional products and services that credit unions wanted to be able to offer their members. In order to offer those additional products and services, credit unions must obtain permission from the Prudential Regulation Authority or the Financial Conduct Authority in the same way as other providers, and of course secure approval from their members.

Schedule 14 also grants the Treasury a power to add further products or services to the new object via a statutory instrument. That will ensure that the Government can continue to support credit unions in Great Britain to expand into other areas. The schedule also adds proposed new section 11E to the 1979 Act, which makes provision in relation to those new products and services. It caps the interest that a credit union can charge on hire purchase agreements and conditional sale agreements at 3% per month. That cap already applies to loans offered by credit unions.

The schedule gives the Government the power to amend the cap in the future via secondary legislation. The Government already have that power in relation to other credit union products and services. It allows the cap to keep pace with changes in the economic environment and allows credit unions to offer hire purchase agreements, or conditional sale agreements, to corporate members, subject to member agreement. The aggregate outstanding balance that can be owed to corporate members is capped at 10% of a credit union's total aggregate balance under those agreements.

The Bill also makes provision for a credit union's ability to lend to and borrow from other credit unions. Section 11 of the 1979 Act will be amended to clarify that credit unions may offer loans to other credit unions, regardless of whether they have a membership link. That will further support the growth, diversification and development of the sector.

The Bill introduces a requirement for credit unions to submit annual returns to the FCA, and to be subject to the “year of account” provisions in the Co-operative and Community Benefit Societies Act 2014. Those amendments will ensure greater regulatory oversight and support good corporate governance practices. Together, clause 63 and schedule 14 will support the credit union sector to grow sustainably for years to come, and help

them to expand their reach as providers of affordable credit. I therefore recommend that clause 63 and schedule 14 stand part of the Bill.

Tulip Siddiq: Clause 63 contains some welcome and long-overdue provisions, such as enabling credit unions to offer a wide range of products. However, I do not think the Bill does much to address the outdated regulatory regime facing credit unions as a whole. We will discuss Labour's proposals to address that, and the barriers facing the wider co-operative and mutual financial services sector, when we debate new clauses 7 and 8.

However, for now, I will push the Minister on some of the areas where the Building Societies Association—and others—has called for bolder action in its written submission to the Committee. First, why do clause 63 and schedule 12 not relax the same-household requirements for family members? Secondly, why does the Bill fail to restrict access to the register of members, in line with best practice for the protection of members' personal data?

Martin Docherty-Hughes: I agree with the official Opposition on clause 63. I must say, we have talked about 1979, but I would mention 1977, when the Dalmuir Credit Union was opened, and I was number 501 with a membership card, around the age of six, on the church hall stage.

I am very aware of the good works that credit unions such as Dalmuir, Dumbarton and Vale of Leven do in my constituency, and, I am sure, across other Members' constituencies, but I share the concerns expressed by the official Opposition about the existing infrastructure. I hope that the Minister can say something to alleviate concerns about that existing framework—not only for credit unions but for other local banks, which have been diminished over the past couple of years—and about how the legislation helps to grow this sector of mutual financial support in local communities. We know our banks and post offices are closing, but the credit unions, especially, can be a good cause on which we can all agree.

Andrew Griffith: I thank the hon. Members for West Dunbartonshire and for Hampstead and Kilburn for raising those points. I look forward to hearing the debates about the new clauses that have been tabled.

The Government are on the side of credit unions. We would like to see the mutual and co-operative movement flourish. We need more diversity, affordable options and access to credit. The Government introduced this clause with the absolute intention of helping to expand the range and create more economic opportunities for those bodies. If we have, in some way, fallen short of what could be achieved, I look forward to hearing more about that. I cannot comment on the specific point made by the hon. Member for Hampstead and Kilburn about sharing households and data, so perhaps she would allow me the courtesy of writing to her afterwards if I can find out anything about those points.

This Bill is part of a wider set of measures. On Friday, we discussed on the Floor of the House a Bill to help to prevent the demutualisation that has reduced the number of mutuals in recent years. I was pleased to give Government support to that Bill. There is an ongoing conversation with the Law Commission on the

[*Andrew Griffith*]

options to review the Co-operative and Community Benefit Societies Act 2014 and the Friendly Societies Act 1992. There is a very good case for looking at modernising the legislation in this sector.

Question put and agreed to.

Clause 63 accordingly ordered to stand part of the Bill. Schedule 14 agreed to.

Clause 64

REINSURANCE FOR ACTS OF TERRORISM

2.30 pm

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

Andrew Griffith: This clause is targeted to support the effective management and oversight of money on the public accounts. It confers on the Treasury a power to issue a direction in order to oblige public sector bodies extended a guarantee under the Reinsurance (Acts of Terrorism) Act 1993 to comply with the necessary controls so that money on the public accounts is managed appropriately.

The power will be a safeguard to ensure that public sector bodies within scope comply with the requirements expected of a public sector body, in line with Government policy and the expectations of Parliament. The clause also confers a specific power to direct such bodies to appoint an accounting officer.

Ultimately, ensuring compliance with these requirements will provide value for money, probity, regularity and propriety in the public sector bodies within scope. The ability to issue a direction is a backstop power that will only be used if the relevant body does not comply with the requirements expected of a public sector body.

The new power is similar to powers the Treasury already has to issue directions to central Government Departments in relation to their estimates and accounts. For transparency and accountability, the clause also requires the Treasury to publish and lay any given direction before Parliament.

Emma Hardy: As well as my campaign for financial inclusion, I am sure Members will have heard me talk about flooding. I have not tabled an amendment to the clause, but I might be minded to in order to have a further conversation in future.

The clause addresses reinsurance for acts of terrorism. Has the Minister explored looking at reinsurance for acts of flooding? We have the Flood Re scheme, as I am sure he is aware, but that only applied up to 2007 and properties built after that are not included, nor does it apply to businesses. With this welcome move to consider reinsurance for acts of terrorism, has the Minister thought about other aspects, specifically flooding?

Tulip Siddiq: We welcome clause 64. I support the principle of the Treasury guaranteeing support for reinsurance in the event of a terrorist attack, but how will the provisions in the clause ensure that the taxpayer is adequately protected from such risks? How will the

Treasury hold any public sector body to account regarding the requirements in the clause? Will the Minister provide some detail on the role of the accounting officer, in terms of ensuring that public sector bodies have sufficient oversight of the requirements of the clause?

Andrew Griffith: On the point about flooding, that is simply outwith the scope of the Bill. The Flood Re scheme is the responsibility of the Department for Environment, Food and Rural Affairs, and it is not something that falls under this Bill or the Acts I have mentioned.

The role of the accounting officer is the same as colloquially accepted in any public body—the person responsible for maintaining financial records and owning that liability. The governance remains with the board of directors of the relevant body and the duty to the taxpayer is exactly the same as it would be. The clause effectively gives step-in rights or the power to direct in particular circumstances. It does not alter where the core cost and liability start and should remain.

Question put and agreed to.

Clause 64 accordingly ordered to stand part of the Bill.

Clause 65

BANKING ACT 2009: MISCELLANEOUS AMENDMENTS

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

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

Clause 66 stand part.

Government amendments 5 to 7.

Clauses 67 to 69 stand part.

Government amendment 8.

Clauses 70 and 71 stand part.

Government amendment 23.

Clauses 72 and 73 stand part.

Government new clause 13—*Chair of the Payment Systems Regulator as member of FCA Board.*

Andrew Griffith: First, I shall speak to new clause 13 and Government amendment 23, which appear in my name, before speaking to clauses 65 to 73 and Government amendments 5 to 8, which also appear in my name.

New clause 13 adds the chair of the Payment Systems Regulator to the board of the FCA. Since the PSR was established in 2014, the roles of the PSR chair and the FCA chair were performed by the same person. As a result, the PSR chair has always been on the FCA board. However, the FCA chair and the PSR chair roles will now be performed by separate individuals, following the appointment of Ashley Alder as the FCA chair in July 2022. The composition of the FCA board is set out in the Financial Services and Markets Act 2000, and the new clause adds the PSR chair to the FCA board. This will help continued effective co-operation between the FCA and the PSR. Government amendment 23 provides for those changes to come into effect two months after Royal Assent.

Clause 65 makes five minor but necessary technical amendments to the Banking Act 2009, to ensure that it continues to function as intended. Clause 66 sets out a small number of definitions to ensure that the provisions of the Bill are interpreted correctly.

Turning to clause 67, the Bill makes a number of changes to the matters that the regulators must consider when they consult on rules. In particular, the Bill introduces a new growth and international competitiveness objective and a new regulatory principle to consider the Government's net zero target. The clause allows the regulators to fulfil their obligations to consider such matters in consultations that are published before the Bill receives Royal Assent. That means that the regulators can begin acting to meet all their new consultation obligations in this Bill as soon as they are ready to do so, avoiding any unnecessary delays to important regulatory reforms.

Government amendments 5, 6 and 7, which appear in my name, widen the effect of clause 67 to include any obligation to consult introduced by the Bill. That includes, for example, the obligation for the FCA and the PRA to consult their cost-benefit analysis panels.

Clause 68 provides for any expenditure incurred under the Bill to be paid out of money provided by Parliament in the usual way. Clause 69 empowers the Treasury to make consequential changes to other legislation, to ensure that the provisions in this Bill function effectively where they interact with existing legislation. The Treasury will be required to use the affirmative procedure to make consequential provisions that amend, repeal or revoke any provision of primary legislation. That will ensure that there is appropriate parliamentary scrutiny of the exercise of this power.

Clause 70 provides for powers delegated by the Bill to be exercised by statutory instrument. The clause also allows the Treasury to make regulations under this Bill that include ambulatory references to rules and other instruments. Government amendment 8 makes a technical change to clause 70 to ensure that the power to restate and modify saved legislation can rely on the power to make ambulatory references provided for by the clause.

Clauses 71 to 73 are technical in nature. Respectively, they set out the territorial extent of the Bill, when provisions in the Bill will come into force, and the short title of the Bill. I therefore recommend that clauses 65 to 73 stand part of the Bill, and commend Government amendments 5, 6, 7, 8 and 23 and new clause 13 to the Committee.

Tulip Siddiq: I will go through the clauses in this group and ask my questions in turn.

Clause 65 will give the Treasury powers to consider whether a payment system using digital settlement assets or a digital settlement asset service provider is likely to threaten financial stability and should therefore be considered for recognition. How will the Treasury consult the Bank of England when making such a decision? How will the Treasury ensure that the Bank has the expertise it needs to have effective oversight of the operators of a new digital settlement asset or recognised payment system?

I understand that clause 67 and associated Government amendments 5, 6 and 7 would mean that all consultation duties arising from the Bill can be met by consultations made before commencement. The Minister can correct me if my understanding is wrong, but will the Government

ensure that this does not result in consultations becoming mere tick-box exercises, with no real impact on the design or implementation of the reforms?

We welcome new clause 13, which will enable better integration across the Payment Systems Regulator and the FCA. What does the Minister hope to achieve with this provision, and how will the FCA and the Payment Systems Regulator be held to account against it? I just want a bit more detail from the Minister on this clause. How will the Treasury guarantee that there are adequate safeguards in place to ensure that the chair of the Payment Systems Regulator does not influence FCA decisions where it may not be appropriate?

Finally, the Minister might not be aware of this, but there are rumours in the press that the Government were exploring merging the Payment Systems Regulator and the FCA. They might just be rumours, but that would be an absolute disaster for consumer protection, so will the Minister, if he has heard these rumours—or if he is the source of them—confirm that the Government have no plans to merge the regulators?

Andrew Griffith: I will write to the hon. Lady about digital settlement assets, in order to try and fully understand what she was pushing at with her question.

On clause 67 and the amendment, the propensity to consult in this space is extremely prevalent, because of the need and desire to get the practitioner and the consumer voice fully represented. Indeed, the hon. Lady and I could both spend a large proportion of our lives responding to the many consultations that are held. However, I have seen no evidence whatever that those consultations are merely tick-box exercises, and I can assure her that that is not the intention. I look forward to engaging with those consultations as we go through this, as they are a fundamental part of the regulatory structure.

On new clause 13 and the chair of the PSR being on the FCA board, I think the hon. Lady mostly welcomed that as an opportunity for the two regulators to work closely together. As I explained, that is *de facto* the status quo. To the extent that there were any conflicts, I would expect the responsibility to manage and police those conflicts to lie primarily with the chair of the board, as it would in any board. That said, I want a Payment Systems Regulator and a Financial Conduct Authority that work hand in hand, cheek by jowl. I do not anticipate many examples of where we would see conflicts. What we want is effective close working together, as more and more of the systemic risk in the financial system sits with payment service providers.

I have not seen rumours of a PSR and FCA merger. Of course, the PSR effectively emerged from the FCA. It is certainly not my intention to merge them, nor am I aware of any proposals to do so. If anything, by establishing the PSR chair as a separate body or separate person, those two organisations are actually become strong siblings rather than being forced together. That is my understanding.

Tulip Siddiq: The rumours were in the press and the sector was quite worried about it. I appreciate the Minister's clarification of his position.

Question put and agreed to.

Clause 65 accordingly ordered to stand part of the Bill.

Clause 66 ordered to stand part of the Bill.

Clause 67

PRE-COMMENCEMENT CONSULTATION

Amendments made: 5, in clause 67, page 81, line 2, leave out “relevant”.

This amendment, read with Amendments 6 and 7, broadens the effect of clause 67 so that it applies to all consultation duties arising under the Bill rather than only those duties specifically mentioned in subsection (3) of that clause.

Amendment 6, in clause 67, page 81, line 7, leave out “relevant”.

See the explanatory statement for Amendment 5.

Amendment 7, in clause 67, page 81, line 9, leave out subsection (3).—(*Andrew Griffith.*)

See the explanatory statement for Amendment 5.

Clause 67, as amended, ordered to stand part of the Bill.

Clauses 68 and 69 ordered to stand part of the Bill.

Clause 70

REGULATIONS

Amendment made: 8, in clause 70, page 82, line 17, at end insert

“, except so far as making provision by virtue of section 4(1)”.—(*Andrew Griffith.*)

This amendment ensures that clause 4(1) of the Bill (power to restate and modify saved legislation) is within the scope of clause 70 for the purpose of being able to rely on the powers in clause 70, when making regulations by virtue of clause 4(1).

Clause 70, as amended, ordered to stand part of the Bill.

Clause 71 ordered to stand part of the Bill.

Clause 72

COMMENCEMENT

Amendment made: 23, in clause 72, page 82, line 35, at end insert—

“(aa) section (*Chair of the Payment Systems Regulator as member of the FCA Board*);”.—(*Andrew Griffith.*)

This amendment provides for NC13 to come into force two months after Royal Assent.

Clause 72, as amended, ordered to stand part of the Bill.

Clause 73 ordered to stand part of the Bill.

Ordered, That further consideration be now adjourned.
—(*Joy Morrissey.*)

2.49 pm

Adjourned till Thursday 3 November at half-past Eleven o'clock.

Written evidence reported to the House

FSMB45 City of London Corporation

FSMB46 Sheldon Mills, Executive Director,
Consumers and Competition, Financial Conduct Authority
(supplementary submission)

FSMB47 Pension Insurance Corporation (PIC)

FSMB48 Global Witness

FSMB49 Chartered Insurance Institute

FSMB50 Personal Finance Society

FSMB51 Lloyd's Market Association

