

Close monitor

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At the recent Aifa dinner, Hector Sants said that as far as small retail firms were concerned the FSA “sought to have sufficient contact and appropriate data collection systems to ensure all those who are wilfully trying to evade our regulations believe there is a reasonable chance of being caught. In other words we seek to have sufficient resources to ensure credible deterrence”.

The reality of how the FSA views the intermediary sector is probably best evidenced by the fact that Mr Sants felt it necessary to announce that the FSA recognised a need to intensify its efforts and as a result there were plans to intensify the contact the FSA has with small firms. Mr Sants further announced that there will be a 25 per cent increase in the number of small firm supervisors to make this happen. Bearing in mind the FSA has repeatedly told us that it is a risk-based regulator, it must now presumably consider some small firms as representing a higher risk than it did before.

The FSA is adept at presenting a persuasive argument in favour of risk-based regulation. However, retail finance services is a people business and it is disappointing that it has taken several years and numerous thematic visits, surveys and the RDR for the FSA to conclude that desk-based monitoring has its limitations. Self-regulation may have had its faults but firms knew that a visit would come and that for some it would prove to be a not so pleasant experience.

For the money that is being spent on their behalf and in the name of risk-based regulation, both the industry and the consumer deserve to see a greater presence of the regulator and more policing of the ground. Mr Sants was keen to state that he firmly believed that the vast majority of the firms were run by decent honest people. In turn, most firms would welcome helpful and constructive supervision visits that will lead to greater understanding by both regulator and regulated as to what is required of each other and what are the key areas that need addressing.

Philip Ryley is a solicitor and Head of Financial Services & Markets at Michelmores Solicitors, based in Exeter and London.