UK Finance

Plan for Growth

March 2025

Executive Summary

Financial services are integral to the domestic economy, and the UK is the largest net exporter of financial services globally. UK Finance's *Plan for Growth* sets out reforms needed to help our financial services sector make an even stronger contribution to the Government's growth agenda, while also delivering real benefits for consumers, businesses and society.

The current discussion about what more our regulators could do to support economic growth – and the constructive way in which the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA) and others have responded – has created the space to consider bolder reforms, building on the Mansion House reform agenda laid out by the Chancellor of the Exchequer in November 2024.

We want to see the Government and regulators take clear steps to:

1. **Create a pro-growth operating environment, including by:**
   - simplifying and clarifying the regulatory architecture
   - streamlining conduct regulation
   - reforming prudential regulation to support economic growth
   - delivering globally competitive taxation for financial services
   - revitalising the UK's approach to international trade

2. **Ensure our financial system is fit for the future, including by:**
   - delivering world class payments
   - modernising the UK's capital markets
   - fighting economic crime more holistically

3. **Unlock financial services for consumers, businesses and society, including by:**
   - supporting business growth
   - ensuring more inclusive financial services
   - supporting the Net Zero transition

Our Plan for Growth proposes specific reforms to help deliver each of these objectives. Amongst these, there are some immediate, near-term and long-term reforms that we believe should be prioritised.

Immediate steps to signal the UK is open for business

The Government can seize some quick wins that send a clear signal to domestic and global investors and innovators that the UK will become a more stable and predictable environment for financial services, by confirming that:

- the FCA will amend the rules governing the Financial Ombudsman Services (FOS) to ensure it interprets FCA rules as intended

- the FCA will halt its proposed 'name and shame' enforcement reforms
- social media, tech and telco companies will have to share in the cost of combatting fraud
- the Government's work on issuance of a digital gilt will be expedited

Reforms this year to unlock the growth driving potential of financial services

It is critical that core elements of the Chancellor's Mansion House reform agenda are advanced during 2025, with renewed impetus from the upcoming Financial Services Growth and Competitiveness Strategy. This should include:

- legislating to reform the FOS, merge the FCA and Payment Systems Regulator (PSR), and create a stronger rule review mechanism to bolster regulatory accountability
- agreeing a clear pathway, co-created by industry, for the upgrade of the UK's account-to-account payments infrastructure
- publishing a new Financial Inclusion Strategy to help to empower consumers
- initiating a fresh strategic HM Treasury-led review of the VAT regime for financial services

Transforming financial services into a long-term growth engine

Over the course of the current Parliament, the Government should deliver broader, structural reforms to unlock the full potential of the financial services sector and catalyse sustainable economic growth over the coming decade, including by:

- recalibrating capital requirements for banks of all sizes to support more lending
- removing the Bank Levy and Corporation Tax Surcharge
- delivering new regulatory frameworks for consumer credit, digital wallets, and new digital assets and money

Making the right choices in the coming months on these and wider proposals in our Plan – through the Spring Forecast, Action Plan for Regulatory Change, Spending Review, Industrial Strategy and Mansion House address – will ensure the UK harnesses financial services as a powerful engine of growth and avoids falling behind our global competitors.

1. Create a pro-growth operating environment

For the UK to remain a world-leading financial hub, it needs a regulatory and tax framework that encourages innovation, investment, and a more balanced approach to risk-taking. Since the financial crisis, layers of overlapping regulation and financial services-specific taxes have placed the UK at a competitive disadvantage relative to other global financial centres. While delivering stability, our regulatory framework has become a drag on growth. To reverse this trend, we need a fundamental reset. This means reforming prudential and conduct regulation to support growth, ensuring our regulatory system is predictable and proportionate, and creating a tax regime that is globally competitive and does more to incentivise retail investment.

Simpler and clearer regulatory architecture

Our asks of Government:

- Deliver swift reform of the FOS in 2025 to bring an end to its behaviour as a de-facto regulator and require it to apply relevant law and regulations as well as FCA rules and guidance.
- Confirm that the FCA Complaints Handling rules governing the FOS will be amended (including the introduction of a time-limit within which complaints must be made) to bring more certainty to the conduct regime. Commit to primary legislation that returns the FOS to its original remit as a low-cost Alternative Dispute Resolution service.
- Simplify the UK's regulatory landscape for financial services by folding the PSR into the FCA.
- Enhance existing powers in the Financial Services and Markets Act 2023 to deliver more effective oversight and accountability of financial services regulators.

Our asks of regulators:

- Improve the Regulatory Initiatives Grid, making it easier, for example, to see how much time has passed since a consultation has closed without response and prioritising mandatory change across the industry sequentially to reduce non-productive costs.
- The FCA and PRA should review and streamline their data reporting, governance and disclosure requirements, as proposed in their growth-focused letters to the Prime Minister, Chancellor and Business Secretary sent in January 2025. Reporting should be limited to information genuinely useful for financial stability and supervisory decision-making. This should apply to proposed changes and existing requirements.
- The CMA should review and revoke historic market investigation remedies that have been retained for many years in the retail banking sector, including the Retail Banking Market Investigation Order, SME Undertakings and the PPI Market Investigation Order, despite significant changes in the sector since they were introduced.

Streamlined conduct regulation

Our asks of Government:

- Replace the current Certification Regime with a more proportionate approach to reduce the regulatory burden on financial institutions.
- Wholesale firms not dealing directly with retail clients should be exempt from the Consumer Duty.
- Make specific and targeted changes to the planned Audit, Report and Governance Authority (ARGA) Bill so that it ensures high-quality accounts and value-add audits while not discouraging companies from setting up and growing in the UK.

Our asks of regulators:

- The FCA should drop its revised enforcement proposals, given the reputational risks they would pose for firms and the harm they will cause to the UK's competitiveness and investability.
- The FCA should establish a joint industry working group to ensure the Consumer Duty is embedded in a way that complements the FCA's secondary competitiveness and growth objective.
- The FCA should help industry to navigate the Consumer Duty by pooling disparate regulatory guidance into a single, centralised place.

Pro-growth prudential regulation

Our asks of Government:

- Identify further short-term reforms to the bank ring-fencing regime, building on recent changes, such as allowing ring-fenced banks to provide broader risk management tools.
- Commence engagement and consultation with industry soon on substantial reforms to the ring-fencing regime which could take effect in the medium to longer term, including the elimination of all duplication with the resolution regime.

Our asks of Regulators:

- Deliver further reform of capital requirements for banks of all sizes so that these requirements better reflect the level of risk in the system, to help boost lending to UK businesses and homebuyers and improve gilt market liquidity, including by:
    - Removing cliff edges in capital and leverage requirements which create artificial constraints on balance sheet expansion.
    - Reforming the Leverage Ratio (LR) framework by increasing the existing £50 billion threshold; indexing the thresholds and/or reviewing them regularly and also exempt holding of gilts from the LR calculation.

    - Providing clarity on Pillar 2 capital requirements under Basel 3.1 should be accelerated, and they should take into account the impact on different market segments.

- Bring more proportionality to the bank capital regime to support the growth of a plurality of business models, including by:
    - Finalising the Small Domestic Deposit Takers Regime, introducing the Intermediate Capital Regime, and speeding up the transition journey for firms seeking to move from standardised or hybrid capital weights to the Internal Ratings-Based (IRB) approach.
    - Modifying the MREL regime so the thresholds reflect improvements in capital and resolution regimes and are indexed and reviewed periodically.

Globally competitive taxation

Our asks of Government:

- Ensure the VAT regime supports innovation, investment, competitiveness and growth, including through initiating an HMT-led review of the VAT regime for financial services and reversing HMRC's planned application of VAT to outsourced services relating to the management of UK-domiciled funds.
- Make the UK's approach to bank taxation globally competitive by updating the Corporate Tax Roadmap to include a timeline to phase out the bank corporation tax surcharge and the bank levy.
- Ensure the tax treatment of UK equities is more competitive globally by removing the 0.5 per cent stamp duty charge currently applied, to drive more retail investment. Consider introducing a dividend franking regime.

Revitalised international trade

Our asks of Government:

- Make financial services a key priority of the current UK-EU reset in relations and prioritise financial services in the UK's wider trade policy agenda.
- Strengthen cooperation with international partners to reduce regulatory fragmentation, ensuring that the UK has a seat at the table when new global standards are devised.
- Halt the introduction of the PSR's proposed interim cap on cross border card interchange.

2. Ensure our financial system is fit for the future

As financial services evolve, the UK must keep pace with global innovation in payments and capital markets and redouble its efforts to tackle financial crime. A modern financial system should be digital, efficient, and resilient – capable of handling the demands of a rapidly changing economy while safeguarding against new risks. In key areas, the UK's infrastructure is falling behind. The payments system is fragmented and in need of strategic leadership, capital markets must be modernised to attract investment, and the fight against economic crime requires a more coordinated approach. To future-proof our financial system, we must accelerate the development of a world-class payments infrastructure, embrace digital innovation in payments and capital markets, and strengthen our defences against fraud and financial crime.

Delivering world-class payments

Our asks of Government:

- Implement the core elements of the National Payments Vision swiftly, with a prominent role for industry in driving forward innovation, and carefully sequence regulatory interventions to avoid diverting resource from innovative private sector initiatives such as the Regulated Liability Network (RLN) project.
- Introduce a proportionate regulatory regime in the UK for cryptoassets that gives deposit-taking institutions and new market entrants alike the opportunity to innovate around stablecoins and encourages investment in the UK.
- Clarify the long-term regulatory framework for Open Banking without delay, once the Data (Use and Access) Bill has received Royal Assent. Ensure it allows Open Banking to be market-driven – not reliant on regulation – and is underpinned by a sustainable funding model.
- Address the increasing importance of digital wallets in the provision of payment services through a new digital wallet strategy.

Our asks of regulators:

- The PSR should urgently clarify how the UK's account-to-account payments infrastructure will be upgraded, including a clear plan to replace the Pay.UK model that contributed to the failed New Payments Architecture upgrade.
- The FCA should rethink its safeguarding reform proposals for Payment and E-Money Institutions, to avoid slowing down payments, restricting business models, and reducing access to services like same-day or next-day card payment receipts.

Modernised capital markets

Our asks of Government:

- Demonstrate the UK's intention to be a global leader in securities tokenisation by acting quickly to issue a digital gilt to avoid falling further behind competitors, reducing the timeframe for delivering 'DIGIT' from two years to one year.
- Deliver recently promised legislation to amend the UK Central Securities Depository Regulation (CSDR) to ensure a timely and effective transition to T+1 settlement.
- Help smaller firms scale into public markets by proceeding swiftly with legislation to establish the Private Intermittent Securities and Capital Exchange System (PISCES).
- Prioritise pension adequacy in the next stage of the Pension Investment Review, given that the average and required levels of employee and employer pension contributions in the UK are significantly lower than in comparable markets.
- Ensure the upcoming Industrial Strategy reflects the vital role of capital markets in pooling and deploying capital to key growth sectors.

Our asks of regulators:

- The FCA should be bold in its ongoing review of MiFID transaction reporting to reduce the significant reporting burden and operational costs faced by firms in the UK (e.g. by removing over-the-counter derivatives transactions from scope).
- The FCA must prioritise delivery of the public offer and admission to trading reforms to give market participants certainty on the new rules.

Fighting economic crime

Our asks of Government:

- Require social media, technology and telecommunications sectors to do far more in partnership with the financial services sector to protect the public and society from fraud, including by making key measures in the Online Fraud Charter mandatory.
- Incentivise the technology and telecommunications sectors to proactively prevent fraud happening at source and require these sectors to contribute to the cost of countering fraud and reimbursing victims.
- Deepen the partnership between Government and industry on the delivery of the Economic Crime Plan and development of the new Fraud Strategy and ensure policy initiatives and interventions focus resources in areas of highest impact.
- Work with industry to develop a new specialised intelligence capability that goes beyond efforts to encourage better data-sharing, focusing on using data to proactively identify, analyse and disrupt economic crime.

- Introduce ambitious Companies House reform measures to develop a reliable, fully verified register, to bring the UK in line with international standards.
- Commit to amendment of the Money Laundering Regulations to introduce an effective risk-based approach.

3. Unlock financial services for businesses, consumers and society

Financial services are fundamental to people's daily lives, helping individuals save for the future, supporting businesses to grow, and enabling communities to prosper. However, too many barriers still exist that prevent consumers and businesses from fully benefitting from the financial system. Regulatory constraints on mortgage lending leave finance out of reach for many prospective homebuyers, and progress on sustainable finance is hindered by insufficiently clear Net Zero transition plans. Addressing these challenges is key to making financial services work better for the whole economy.

Supporting business growth

Our asks of Government:

- Prioritise the growth of core banking services as a key pillar of the Financial Services Growth and Competitiveness Strategy, alongside fintech and payments, sustainable finance, and capital markets.
- Avoid expanding the regulatory perimeter to SME lending, or restricting lenders' ability to take personal guarantees, as these steps would constrain the flow of SME finance.
- Avoid the proliferation of codes and charters applicable to SME lending, to limit the compliance burden on financial services firms.
- Make the Growth Guarantee Scheme (GGS) permanent, increase its existing loan cap of £2 million, extend the potential term-length beyond six years, and increase the size of the scheme's budget.

More inclusive financial services

Our asks of Government:

- Continue to support the industry-led roll out of banking hubs, over 100 of which have already been opened against a target of 350 by the end of the current Parliament.
- Develop a national financial inclusion strategy, informed by the financial services industry and consumer groups through the Financial Inclusion Committee.
- Deliver sustainable and equitable funding for debt advice.

- Reform and modernise the Consumer Credit Act 1974 so it reflects how consumers use credit today and enables firms to better meet the needs of customers.
- Collaborate with industry on the development of proposals to improve support for first and last-time buyers in the property market.
- Ensure that the ISA market continues to offer consumers an attractive tax-free option for both cash savings and investing in equities. Retain the annual tax-free cash ISA allowance of £20,000, to avoid restricting consumers' options.
- Make financial education compulsory in all schools and monitored by Ofsted, to enhance understanding of fundamental financial concepts among young people.

Our asks of regulators:

- The FCA should conclude the joint Advice Guidance Boundary Review it is undertaking with HMT, and bring forward proposed rule changes this year.
- The FCA should take forward its proposals to simplify responsible lending and advice rules, consult on removing its maturing interest-only mortgage and other outdated guidance, and remove overlapping standards, including the Mortgage Charter.
- The Bank of England's Financial Policy Committee should ease its existing loan-to-income (LTI) flow limit for new residential mortgages at LTI ratios at or above 4.5 income.
- The PRA should optimise the Government's planned Freedom to Buy mortgage guarantee scheme by ensuring the element of mortgages guaranteed through the scheme has a reduced (or zero) capital weighting.

Supporting the Net Zero transition

Our asks of Government:

- Ensure the National Wealth Fund (NWF) has the capabilities to structure opportunities for private finance, and a risk appetite sufficient to support investment in nascent green industries.
- Launch a comprehensive campaign and free-to-use advisory service to encourage homeowners to improve energy efficiency and heating systems in properties, enabling lenders to fill the funding gap for decarbonising the UK's homes.
- Endorse and implement the International Financial Reporting Standards (IFRS) sustainability disclosure standards for both non-financial corporates and financial services firms, rather than first prioritising a standalone UK green taxonomy.