

## **Financial Services and Markets Bill**

**AGM 16 February 1999**

**Speaker: Economic Secretary Patricia Hewitt**

**How can the Financial Services Authority contribute to socially responsible investment?**

The first AGM of the All Party Parliamentary Group on Socially Responsible Investment was addressed by *Economic Secretary Patricia Hewitt*

She spoke about the Financial Services and Markets Bill and its main objective to modernise and reform the regulation of financial services. "We need an effective, fair and proportionate regulatory system," she said.

The Minister emphasised the new statutory objectives of the FSA of *consumer protection and public awareness*.

She said the Bill would provide high standards of protection at the retail end of the market through a series of powers. But added that personal judgement could not be suspended.

To make financial decisions, consumers need an understanding of financial issues, the Minister said. And she highlighted the poor level of understanding of some consumers. The aim is to allow people to make basic decisions themselves and to seek and understand financial advice where appropriate, she said. "*However improved education in no way reduces the responsibility of firms to offer the right advice,*" said the Economic Secretary.

*She conceded that social, ethical and environmental issues are not covered explicitly in the Financial Services and Markets Bill.*

A raft of objectives would only serve to dilute the purpose of the Bill, she warned adding that over regulation would be anti-competitive, restricting consumer choice and pricing some providers out of the market.

Talking about the objective of high standards of protection at the retail end of the market the Economic secretary said it was for "*consumers themselves to make investment decisions. They should have sufficient information to make an informed decision. Consumers should be able to specify certain criteria for investment products and be*

*able to ask for information about a firm's policies on them when making their decisions. Good providers should want to respond."*

On *environmental protection* she said that *economic growth* should not be pursued at the expense of the environment, and that environmental protection should not have unacceptable social consequences. *"By making sure the correct incentives are in place through regulation and economic instruments, the Government is determined to bring environmental concerns to the fore of people's minds. We are keen to ensure the environmental impact of economic activity is properly accounted for by those that pollute."*

The Economic Secretary discounted the use of a Community Reinvestment Act for banking. "The key to community banking is raising consciousness. Understanding that community banking is profitable."

She also mentioned the ways in which the government is aiming to tackle social exclusion, through the Policy Action Teams looking at personal financial services and enterprise in deprived communities.

In conclusion the Minister said there are market opportunities for banks in providing appropriate financial services for people on low incomes, in disadvantaged communities.

## **Discussion**

Gareth R Thomas MP asked Ms Hewitt what was being done to *promote green and ethical funds*. *Ms Hewitt said FSA guidance should be for investment providers to know their customers. And for the products to be there to meet their needs. She underlined the need for greater transparency.*

This was followed by a short talk by *Susan Jenkins* Marketing Manager of *Triodos Bank*, emphasising that as Patricia Hewitt had asserted, their experience shows that *banking can be both ethical and profitable*. She illustrated her point with a number of case studies from the Triodos portfolio. She underlined that Triodos considers itself actively responsible for social and ethical concerns in financial decision making. She said they firmly believe that consumers should have an opportunity to choose ethically responsible financial services.

Gareth R Thomas MP asked if Triodos was aware of the Dutch *tax credits* initiative. Susan Jenkins described how the Dutch government proposes tax credits for any investor into a certified green fund. She added that Triodos saw this initiative as an extremely positive development.

Tom Brake MP asked what kind of auditing would be necessary to establish what funds are green investments. Susan Jenkins suggested that there were a range of tools and

criteria that could be employed and continuously reviewed to establish the "greenness" of a fund.

At the end of the meeting Tom Brake MP highlighted the lack of any mention of sustainable development in the Financial Services and Markets Bill and called on those present to press the government on this omission.

### **Other business**

The meeting also elected officers for the All Party Parliamentary Group for the coming year. Tony Colman MP was re-elected as Chair and Peter Bottomley MP and Tom Brake MP as Vice Chairs. Cynog Dafis MP was elected as Vice Chair and Gareth R Thomas MP as Honorary Secretary.

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