

DEBANKING SCANDAL: PARLIAMENTARY REPORT FINDS FINANCIAL REGULATOR HAS QUESTIONS TO ANSWER OVER MARKET FAILURE

All Party Parliamentary Group on Fair Business Banking review of issue of debanking, in conjunction with City law firm Humphries Kerstetter LLP, calls on the Financial Conduct Authority to do more to address the ongoing problem

FOR IMMEDIATE RELEASE

Following a series of high-profile scandals, a new report by the APPG on Fair Business Banking, supported by City law firm Humphries Kerstetter, has found that the primary drivers behind customers being debanked are cost and reputation, rather than tackling financial crime. In what amounts to a failure of the market, the banking industry is freezing legitimate customers out of the financial system due to their opinions or lifestyles or because of cost.

William Wragg MP, Co-Chair of the APPG, stated: “We need to reset the approach of the banking industry so that no genuine, legitimate customers are excluded from the financial system. Having access to a bank account is an essential part of modern living and needs to be viewed as akin to a utility, like water or electricity.”

Evidence gathered during the 12-month investigation suggests the Financial Conduct Authority should share some of the blame for the unprecedented rise in debanking that has taken place over the last five to 10 years. The APPG received firsthand testimonies from industry insiders which suggested that the regulator has been encouraging banks to focus on reputation above their duties to consumers, leading to the establishment of ‘Reputational Risk Committees’ that are then tasked with exiting customers considered to be problematic. The APPG was told that exited customers often find themselves unable to obtain explanations for their ejection, and that opportunities for disputing such decisions were insufficient.

Crucially, suspicions of financial crime are often offered as an explanation for abrupt and unexplained debanking. However, the report also found a disconnect between the work conducted by banks to tackle financial crime and the work of the law enforcement agencies. Data obtained by the APPG shows that hundreds of thousands of parties are being debanked each year ‘for reasons of financial crime’, but just a fraction of these cases end up being properly investigated or prosecuted.

James Russell, Managing Partner at Humphries Kerstetter, said: “All parties, the regulator, the banks and the Government need to ensure that companies and individuals have access to a well-functioning financial system. There is clear evidence that people and businesses are being ejected from the financial system with no discernible action being taken by the relevant authority to investigate and establish whether there is any foundation for such ejection. This is not good for individuals, business or the UK financial system as a whole.”

/ENDS

For further information or press queries – contact:

Laurie Woodiwiss, Comms Manager – laurie.woodiwiss@parliament.uk

07540 405005