

## REGULATORY INTELLIGENCE

**UK financial services enforcement round-up, and looking ahead to 2025**

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Although 2024 has not seen a return to the levels of fines and outcomes of the pre-financial crisis era, there has been a notable uptick in published outcomes from UK financial services regulators in the past year when compared with the position in the year before that. This is clearly demonstrated by the numbers below:

**FCA enforcement data 2018-2024**

Calendar year	2018	2019	2020	2021	2022	2023	2024
Total fines (£)	60,467,212	391,773,187	192,570,018	576,865,219	215,834,156	52,802,900	176,045,385
Total fines (companies) (£)	59,104,112	312,245,700	192,470,018	576,628,419	214,128,293	49,002,400	168,697,912
Total fines (individuals) (£)	1,363,100	79,527,487	100,000	466,837	1,705,863	3,800,500	7,347,473
No of fines overall	15	17	11	11	26	8	27
No of fines (individuals)	8	5	1	4	10	2	14
Largest fine (£)	32,817,800	102,163,200	64,046,800	264,772,619	107,793,300	17,219,300	40,000,000

While the Financial Conduct Authority (FCA) continues to be the most active enforcement regulator in the UK financial services arena, the trend of Prudential Regulation Authority (PRA) intervention continues, with the PRA imposing more than £90 million in fines during 2024. There is also a notable increase in the number of fines imposed on individuals — 14 this year versus two last year. Fines against individuals have increased too, although at a lower rate proportionately than the number of penalties.

There is a time lag between an investigation starting and a published outcome, and it is also useful to look at the number of new cases the FCA has been opening more recently, and in which areas. This continues to evidence a desire by the FCA to reduce its caseload and be more selective about the cases it takes on. Only 25 cases were opened in the financial year 2023/24 (compared with 34 the year earlier), and 60 were closed.

More than half of them were in the financial crime space, with three for each of wholesale markets and customer interests. There is a continuing desire by the FCA to use alternative outcomes in appropriate cases, such as voluntary requirements/written undertakings (the number of voluntary outcomes supported by Enforcement increased by nearly a quarter in the 2023/24 financial year).

**Consumer protection**

The FCA imposed three fines in a series of enforcement decisions relating to fair treatment of retail customers in financial difficulty, in reliance on a combination of Principles 3, 6 and 7 as the allegations pre-dated the introduction of the consumer duty. The decisions against [HSBC](#), [TSB Bank](#) and [VW Financial Services](#) follow the FCA's supervisory work (the FCA had already fined [Barclays](#) and [Lloyds](#) for their treatment of customers in financial difficulty).

The FCA [fined](#) HSBC £6.3 million relating to historical issues in the treatment of customers in repayment arrears. In this case the FCA discounted the penalty by 50% because of the extensive cooperation, prompt reporting, pro-active redress scheme and remediation in addition to the usual 30% early settlement discount on penalty. In the final notice, the FCA emphasised the importance of staff training



to identify vulnerable customers, systems that facilitate proportionate and fair outcomes and management information that includes outcomes data in addition to operational and financial information.

The FCA [fined](#) TSB Bank £10.9 million for failing to ensure customers who were in arrears were treated fairly and to ensure that systems were adequate to ensure fair outcomes. TSB paid £99.9 million in redress to the 232,849 mortgage, overdraft, credit card and loan customers affected. Between June 2014 and March 2020, TSB's processes created a risk that repayment plans were unrealistic.

Its training did not fully support its staff in understanding customers' circumstances and staff were potentially encouraged by incentive schemes to prioritise the number of plans made over taking enough time to assess individual circumstances. The FCA statistics show an increased number of skilled person reports, and a skilled person report was deployed in this case.

The FCA [fined](#) Volkswagen Financial Services (UK) £5.4 million in respect of the treatment of car finance customers in financial difficulty. Volkswagen Financial Services also agreed to pay more than £21.5 million in redress to around 110,000 customers who may have suffered harm between 2017 and 2023. The FCA completed the enforcement investigation in 13 months compared with the average of 42 months for investigations completed last year. The FCA have said that this is a sign of the improved efficiency and speed of its investigations.

In other decisions, the FCA has emphasised consumer protection in the context of complex investments and decisions. The FCA [fined](#) a contracts for difference firm £276,100 that pressured inexperienced customers to invest in CFD products that they did not understand and the firm did not explain. The firm encouraged investors to borrow to invest and gave investment advice that it was not authorised to provide. The CFD firm also encouraged customers to provide false information that would categorise them as professional investors who would not benefit from protection available to retail customers.

The FCA also [fined](#) another pensions advice firm for failing to provide suitable advice on transfer of funds out of defined benefit pension schemes and [published its first enforcement decision](#) against a firm facilitating cryptoasset trading when it fined a member of the Coinbase group £3.5 million for repeatedly allowing UK customers to trade without the firm having UK authorisation.

As some of the decisions above already illustrate, the FCA continues to prioritise consumer redress in enforcement settlement decisions. This is also shown in a [decision](#) involving an authorised fund manager (H2O), which avoided a financial penalty in favour of investor redress. H2O made a series of investments through the funds it managed into investments that were high-risk and highly illiquid and differed significantly from the vast majority of its investments, which were typically open-ended, daily dealing funds.

The FCA found that the firm failed to conduct adequate due diligence on its investments, failed to control conflicts of interest, and provided misleading and false information to the FCA. Following the funds being suspended, investors were unable to recover their investments. The FCA imposed a censure rather than a penalty, because H2O has agreed to make 250 million euros available to the current unitholders and waived its rights to fees and investments totalling 320 million euros for the benefit of these unitholders.

The FCA opened the high-profile investigation into motor finance discretionary commission arrangements, which is now on hold pending the outcome of a Supreme Court hearing listed for April 2025. Following this, an FCA redress scheme is expected but the FCA may also review other commission arrangements within the financial services sector in the light of the judgment.

Meanwhile, the PRA [fined](#) HSBC £57.4 million relating to the identification of customer deposits that are protected by the UK Financial Services Compensation Scheme. The PRA was primarily concerned with the requirement for firms to prepare for orderly resolution but also emphasised the need to allocate responsibility for deposit protection to a senior manager and the need for firms to promptly report regulatory issues.

## Financial crime

There were fewer enforcement decisions relating to financial crime topics in 2024 than in previous years but the FCA [continues to tackle financial crime using a wide range of other tools](#), including by charging individuals with criminal offences, freezing assets and working with the police to execute search warrants.

In terms of published enforcement decisions, the FCA has targeted two challenger banks for failings in financial crime controls.

The FCA [fined](#) Metro Bank £16.7 million for failings in its automated system for monitoring customer transactions. An error in how data was fed into the system meant transactions taking place on the same day an account was opened, and any further transactions until the account record was updated, were not monitored. The FCA found that Metro Bank failed to have the right systems and controls to adequately monitor more than 60 million transactions, with a value of more than £51 billion, for money laundering risks over a period of 4.5 years. The breaches were exacerbated by the delay between identifying the problem internally and full remediation of the problem.

The FCA also [fined](#) Starling Bank £29 million for failing to ensure that customers were screened against a complete list of financial sanctions and for opening accounts for thousands of high-risk customers in breach of an FCA requirement agreed due to concerns about AML due diligence.

The FCA attributed the systems and controls failings in part to the failure of the firm to enhance and adapt systems and controls to the needs of the business during its rapid growth from a business with 43,000 customers in 2017 to a business with 3.6 million customers in 2023. This decision is a reminder that the expectations of systems and controls depend on the nature, scale and risks of a firm's business, which will need to be reviewed, especially during a phase of rapid growth or change.



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The FCA continues to bring a handful of criminal prosecutions. And in a steady stream of insider dealing prosecutions by the FCA against industry professionals and company directors, a former investment banker was [sentenced to 22 months in prison](#) for trading on inside information accessed through his role.

The FCA continues to prioritise financial crime (as is shown by the proportion of new cases opened last year, as noted above) and the FCA caseload is likely to continue to contain investigations relating to AML controls, sanctions screening, fraud and criminal prosecutions in the market abuse field.

### **Wholesale misconduct and market abuse**

Trading controls have not featured in enforcement decisions recently, but are the subject of two significant decisions in 2024.

The FCA and PRA fined Citigroup [£27.8 million](#) and [£33.9 million](#), respectively, for issues in trading controls that permitted an erroneous trade of \$1.4 billion of equities in European markets. The firm's controls blocked a proportion of the trades and the trader quickly cancelled the trades but they coincided with a material short-term drop in some European indices, which lasted a few minutes.

While parts of the firm's trading control framework operated as expected, the FCA found a number of issues in the systems and controls for trading. In particular, there was no hard block that would have rejected this large erroneous basket of equities in its entirety and prevented any of it reaching the market. The trader was also able to manually override a pop-up alert, without being required to scroll down and read all the messages within it.

In a separate decision, the FCA [fined](#) Macquarie Bank £13 million for systems and controls issues that enabled a metals trader to hide more than 400 fictitious trades in an attempt to hide his trading losses. Despite the fraud by the trader, the FCA found that the firm failed to put effective and timely plans in place to fix known issues in controls that could have prevented the relatively junior trader bypassing key internal controls without detection for more than 20 months. The fictitious trades cost the firm an estimated \$57.8 million to unwind but did not affect customers or the market overall.

Barclays also decided to withdraw its referral to the Upper Tribunal of the FCA's planned action in respect of its 2008 capital raising, and a £40 million fine was [imposed](#). After pausing its investigation during the unsuccessful Serious Fraud Office (SFO) prosecutions, the FCA settled for a penalty 20% lower than the £50 million penalty in the original FCA decision notice. The FCA acknowledged the challenge of getting disclosure right in complex transactions conducted under pressure, and the FCA justified the reduced penalty in the light of Barclays' remedial action and change in management.

The FCA has also taken action to emphasise the responsibilities of persons discharging managerial responsibilities (PDMRs). A PDMR of Wizz Air (András Seb#k) was [fined](#) £123,500 for trading during a close period and for failing to disclose personal trades.

And although there are no recent market manipulation enforcement decisions, the FCA continues to state market abuse enforcement is a high priority and these topics feature heavily in the FCA's investigation caseload. The FCA's [2024/2025 Business Plan](#) includes the FCA's aim to achieve more market abuse enforcement decisions in cross-asset class market abuse and improve market monitoring in Fixed Income and Commodities.

Recent FCA newsletters, meanwhile, indicate that the FCA may be looking into trading by market sounding recipients ([Marketwatch 75](#)), misleading and inaccurate information about actual or intended trades ([Marketwatch 76](#)) and leveraged equity products from aggregated accounts administered by firms based overseas ([Marketwatch 80](#)). The authors anticipate that these topics may feature in enforcement decisions at some point soon.

### **Individual responsibility and non-financial misconduct**

UK regulators recognise the strong connection between a healthy and open corporate culture and good customer outcomes. Factors that influence and demonstrate a firm's culture, such as diversity and inclusion, commitment to the promotion of whistle-blowing, and conduct within and outside the workplace are therefore a regulatory focus for the FCA and PRA.

Financial and obvious misconduct within the workplace (and misconduct during investigations) continues to feature in enforcement decisions, but the FCA is also acting against senior managers for non-financial misconduct (sometimes outside the workplace) too. The FCA issued a [warning notice](#) to Crispin Odey for his actions to undermine the internal disciplinary action against him in relation to allegations of sexual harassment. The warning notice relates to Odey's conduct in relation to the disciplinary action rather than the underlying allegations.

The FCA has also [published a decision](#) to prohibit Ari Harris, a senior manager and sole director of an FCA-regulated broker. Harris was convicted of inflicting grievous bodily harm without intent outside the workplace but while he was an approved person. He was also sentenced to three years' imprisonment.

Harris failed to notify the FCA of these criminal proceedings, the conviction and imprisonment. Harris also deliberately provided a false reason for the firm's submission of an application for another director's approval to perform the SMF29 function at the firm in place of him. The FCA stated that Harris's conduct demonstrated a clear and serious lack of honesty, integrity and reputation, which does not correspond with the FCA's expectations of a senior manager.

In another example, the FCA has [fined](#) Kristo Käärmann, the CEO of Wise Plc and senior manager of Wise Assets UK Ltd, £350,000 for breaching Senior Manager Conduct Rule 4. The FCA found that Käärmann failed to notify the FCA in a timely and appropriate



manner that he had been fined £365,651 by HM Revenue & Customs for deliberately failing to notify it of a capital gains tax liability and had been subsequently added to HMRC's public tax defaulters list.

Käärmann viewed his tax matters as personal but the FCA viewed the facts as ones that could adversely affect his reputation and that of the firms that he managed, so they were matters that the regulator would be interested in.

This decision highlights the FCA's expectation that, in certain circumstances, issues relating to the conduct of senior managers outside and unrelated to the workplace should nevertheless be disclosed to it promptly. The decision makes clear that there is no hard separation between "personal" and "work" related issues when it comes to reporting the conduct of Senior Managers in respect of their fitness and propriety.

The FCA has other ongoing investigations and is expected to clarify in guidance early this year that non-financial misconduct should be taken into account when considering an individual's fitness to work in the UK financial services sector, and a wider range of misconduct may therefore feature in future enforcement investigations.

#### **Other developments**

Both the FCA and PRA have considered changes to aspects of their enforcement process in 2024. The PRA introduced an "early account scheme" by which firms can obtain greater discounts on penalties by providing a full account of an issue earlier. And the PRA has introduced ranges for financial penalty starting points depending on the severity of the conduct/issue and the nature of the firm. It is too early to say how successful these measures will be in earlier settlement and consistency in financial penalty decisions.

The FCA put forward a highly controversial proposal to announce enforcement investigations and the identity of corporate investigation subjects with the stated aim of improving transparency and accountability around the FCA's enforcement activity. The proposal was greeted with an overwhelmingly negative response, and the FCA finished the year with a [further consultation](#) on this topic that indicates that the proposal will be watered down. Also, in response to criticism and recommendations from the Upper Tribunal, the FCA has [stated](#) that it will take a broader approach to disclosure of evidence and enhance FCA staff training.

#### **What themes will be present in 2025 enforcement?**

The authors expect focus areas to include consumer protection, financial crime, market abuse, and action against individuals for non-financial misconduct.

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[Complaints Procedure](#)

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