



April 2011

**Financial Regulation Strategy
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ**

Dear Sir/madam

**HM Treasury consultation:
A new approach to financial regulation: building a stronger system**

This response is submitted by Unite the Union. Unite is the UK's largest trade union with 1.5 million members across the private and public sectors. The union's members work in a range of industries including financial services, manufacturing, print, media, construction, transport, local government, education, health and not for profit sectors.

Unite is the largest trade union in the finance sector representing some 150,000 workers in all grades and all occupations, not only in the major English and Scottish banks, but also in investment banks, the Bank of England, insurance companies, building societies, finance houses and business services companies.

Unite welcomes the opportunity to contribute to this consultation paper and further welcomes the acknowledgement contained that "financial firms are never again allowed to take on risks that are so significant and so poorly understood, resulting in such severe economic consequences for businesses, households and individuals." (para 1.5)

Unite is aware of the damaging consequences such unfettered risks have had on peoples' lives and on our members specifically across a wide range of industrial sectors. SMEs are struggling to access affordable finance, the public sector is facing unprecedented cost cutting measures, unemployment, at 2.5 million, is at a 17 year high, around 1 million young people are unemployed and according to the ONS, the finance sector itself lost around 100,000 jobs between Q1 2008 and Q1 2010.¹

It is vital that the regulatory function is robust, resilient and focused and above all is independent and able to provide suitable deterrent measures and appropriate

¹ <http://www.statistics.gov.uk/statbase/TSDdownload2.asp>

penalties to discourage risky behaviour in order that future crises, should they arise, are less likely to be as destructive across the wider economy.

In the newly proposed 'conduct-focused' environment, Unite does however remain disappointed that HM Treasury has failed to provide the opportunity to take account of the views of the workforce in contributing to the debate surrounding good or bad practice within the sector.

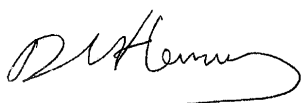
It became apparent from evidence provided by Unite to the FSA on Pure Protection and particularly regarding sales versus service, that employees were placed under considerable pressures to attain targets to obtain individual and group bonuses which risked some customers being sold inappropriate products.²

It is important to provide an environment where inappropriate behaviours can be reported to an independent authority, without compromising the integrity or position of the employee. The new approach should therefore allow for the opportunity for the employee voice to be heard at a strategic level.

Employees within the sector may have information concerning practices and procedures which may not necessarily be in the best interests of customers or wider public interests; some of which may require a sensitive and confidential approach. Unite is therefore also seeking clarification on how individuals with sensitive information, such as whistleblowers, can come forward in a safe and trusting environment in order to expose unfair or bad practice without jeopardising their career opportunities.

Consequently Unite sees a role for a workforce representative on the FCA to provide additional input from an employee perspective on issues surrounding consumer protection and conduct administration and would be happy to discuss this issue further with HM Treasury.

Yours faithfully



David Fleming
National Officer

For further information on this submission please contact:

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² http://www.epolitix.com/fileadmin/epolitix/stakeholders/FSA_Pure_Protection.pdf