

Press release

Chancellor fires up financial services sector to drive growth

Chancellor to announce package of reforms to ensure the UK's status as a global powerhouse for financial services in her first Mansion House speech.

From: **HM Treasury** ([/government/organisations/hm-treasury](https://www.gov.uk/government/organisations/hm-treasury)) and **The Rt Hon Rachel Reeves MP** ([/government/people/rachel-reeves](https://www.gov.uk/government/people/rachel-reeves))

Published 14 November 2024



- Reeves to say regulatory changes post-financial crisis created a system which sought to eliminate risk taking 'that has gone too far' and led to unintended consequences.

- Growth focused remit letters sent to regulators and first-ever Financial Services Growth and Competitiveness Strategy to be published.

The Chancellor will announce a package of reforms to drive growth and competitiveness in financial services, as she argues that regulatory changes to eliminate risk after the financial crisis have ‘gone too far’ and led to unintended consequences.

In her first Mansion House speech as Chancellor, Rachel Reeves will say that the UK’s status as a global financial centre cannot be taken for granted.

She will argue that, while the UK will always uphold high standards, a system has been created which seeks to eliminate risk taking and holds back economic growth. “The UK has been regulating for risk, but not regulating for growth,” she will say.

The Chancellor will outline a plan to rebalance the system, setting the financial services sector up to innovate, grow and seize the opportunities for investment in businesses, infrastructure and clean energy across Britain.

This will include setting new growth-focused remits for financial service regulators, the publication next year of the first ever Financial Services Growth and Competitiveness Strategy and creating pension mega funds to boost investment so that ordinary people benefit from growth.

Speaking in the City of London, the Chancellor of the Exchequer Rachel Reeves will say:

“ Before we came into government, I was clear that the financial services sector must play a central part in our economic vision and our plan for economic growth.

“ Because I know that this sector is the crown jewel in our economy. It employs 1.2m people, from London

to Edinburgh, and from Manchester to Belfast. It is one of the country's largest and most productive sectors, accounting for 9% of our economic output.

“ And it is a global success story: we are the second largest exporter of financial services in the G7.

“ But we cannot take the UK's status as a global financial centre for granted. In a highly competitive world we need to earn that status and we need to work to keep it.”

She will add:

“ While it was right that successive governments made regulatory changes after the Global Financial Crisis, to ensure that regulation kept pace with the global economy of the time, it is important that we learn the lessons of the past.

“ These changes have resulted in a system which sought to eliminate risk taking. That has gone too far and, in places, it has had unintended consequences which we must now address.”

She will conclude by saying:

“ The changes I have set out today will drive growth and competitiveness through investment and through reform.

“ A long-term strategy to harness the strengths of the financial services sector: making the UK a global leader in sustainable finance, developing the right approach to redress to reduce uncertainty, reinvigorating our capital markets by unlocking private investment through our pension funds, and reforming our approach to regulation to make it more dynamic and more competitive.

“ Taken together, these measures represent the most pro-growth financial services package since the financial crisis.”

Reform to unlock innovation and growth

While the UK's regulatory model for financial services is respected around the world, reform is needed to unlock innovation, drive more investment and deliver sustainable economic growth.

High regulatory standards will be maintained but parts of the regulatory system will be rebalanced to drive economic growth and competitiveness. The Chancellor has written to the Financial Conduct Authority, Prudential Regulation Committee, Financial Policy Committee and Payment Systems Regulator to ensure a greater focus on supporting economic growth.

The Financial Ombudsman Service framework will also be modernised so that it continues to play a vital role for consumers to get redress while giving clearer expectations around its decisions for consumers and for financial services firms.

The government will also consult on replacing the current Certification Regime, which applies to staff below senior management level, with a more proportionate approach that reduces costs so that businesses are freed up to focus on growth.

To combat the scourge of fraud that cost UK consumers almost £8.3 billion last year alone and steals money away from investment and lending by the financial services sector, a coordinated effort across sectors, law enforcement and government is needed. The Chancellor, Home Secretary and Secretary of State for Science, Innovation and Technology have therefore written to the tech and telecommunication sectors calling for them to go further and faster in reducing the scale of fraud taking place on their platforms and networks – with an update on progress requested by March 2025 ahead of an expanded fraud strategy.

Further action is being taken to drive innovation in payments with the publication of a National Payments Vision, and reinvigorate the UK's capital markets by committing to legislate to establish PISCES by May 2025 - a world-first regulated market for trading private

company shares where transfers will be exempted from stamp duty taxes on shares.

The government is launching a pilot to deliver a Digital Gilt Instrument, using distributed ledger technology (DLT), demonstrating the government's commitment to innovation in the financial services sector.

The government is also consulting on introducing a new framework for UK-based captive insurance companies to make the UK insurance market a more attractive hub for businesses seeking efficient risk solutions.

Stability – confidence to invest

Building on the Budget - which fixed the foundations of the economy by repairing the public finances and bolstered economic and fiscal stability – the Chancellor will set out a clear path for growth in the financial services sector.

The government will publish the first ever Financial Services Growth and Competitiveness Strategy in the Spring to deliver long-term certainty and cement the sector's place at the heart of the government's 10-year modern Industrial Strategy.

The government will propose focusing on five priority growth opportunities in financial services to take advantage of the UK's existing strengths and maximise the potential for growth.

These will be FinTech, sustainable finance, asset management and wholesale services, insurance and reinsurance, and capital markets. A Call for Evidence will be published alongside the announcement to ensure that industry voices are at the heart of designing the new Strategy.

The Strategy will reflect the fact that the success of the financial services sector is built on strong ties with international partners. This means strengthening partnerships with established and fast-growing financial centres will be a cornerstone of the government's approach to financial services: critical to attracting

foreign investment and delivering economic benefits for the UK.

Investment through financial services

To deliver more investment in businesses, infrastructure and clean energy, the Chancellor will also announce bold reforms to the pension system and lay the foundations for a world-leading sustainable finance regulatory regime.

Two consultations will be published ahead of the Pension Schemes Bill in the Spring to merge defined contribution pension schemes and the Local Government Pension Scheme in England and Wales into megafunds – mirroring the pensions landscape in Australia and Canada. This, along with reforms to ensure better value from these pension schemes, could unlock around £80 billion new investment in businesses and infrastructure, while boosting savers' pension pots.

The Chancellor will announce that the British Growth Partnership has secured the support of two UK pension funds for its future launch. Aegon UK – as a substantial cornerstone investor – and NatWest Cushon, who have combined assets worth over £219 billion, have both agreed to work with the British Business Bank with a view to investing in the UK growth companies of the future, subject to commercial and regulatory steps and, where appropriate, agreement from the Trustees. She is also expected to announce that, alongside Phoenix Group, the British Business Bank has completed its LIFTS investment in Schroders Capital, to create a new £500 million investment vehicle to invest in UK science and technology. The government expects 20% of the LIFTS capital to be invested into life sciences.

The Chancellor will also set out plans to mobilise trillions of pounds of private capital to support clean energy and growth as part of the UK's efforts to reclaim its position as a global leader in climate change. This follows action at the International Investment Summit and Budget to unlock investment, including £27.8 billion

of capitalisation for the National Wealth Fund, which is expected to mobilise over £70 billion of private investment.

To deliver a world-leading sustainable finance framework, the Treasury will publish draft legislation to boost investor confidence in sustainable companies by regulating ESG ratings providers, publish a consultation on the value case for a UK Green Taxonomy, commit to consult on economically significant companies disclosing information using future UK Sustainability Reporting Standards and launch a set of integrity principles for voluntary carbon and nature markets ahead of a consultation in the new year.

To underpin continued UK leadership on transition finance, the government is delivering one of the key recommendations of the Transition Finance Market Review by co-launching the Transition Finance Council with the City of London Corporation. The government will also consult in the first half of next year on how best to take forward the manifesto commitment on transition plans in support of its ambition to become the global hub for transition finance - ensuring the UK's regulatory framework is growth-focused, internationally competitive and maintains the UK's status as a global financial hub. It has also emphasised the transition to net zero in the government's economic strategy within the remit of the Bank of England's Monetary Policy Committee, and reinstated sustainable finance as an area the Financial Policy Committee should support as part of its secondary objective.

These announcements come alongside COP29's 'Finance, Investment, and Trade Day' currently underway in Baku, Azerbaijan. Representing HM Treasury at COP29, Growth Minister Lord Spencer Livermore laid out the UK's commitment to making the UK the sustainable finance capital of the world, mobilise climate finance from a range of sources and reform the global financial system so it delivers better on climate change.

The government recognises the invaluable role of the

mutual and co-operative sector in driving inclusive growth across the UK. It is therefore announcing a package to help unlock the full potential of the sector. This includes publishing a call for evidence on reform to credit union common bonds in Great Britain, writing to the Financial Conduct Authority and Prudential Regulation Authority asking them to produce a report on the mutuals landscape in 2025, and welcoming the establishment of an industry-led Mutual and Co-operative Business Council.

The government has already laid legislation to support modernisations to the Building Societies Act 1986 and continued funding the Law Commission to conduct reviews considering how the laws governing co-operatives, community benefit societies, mutual insurers, and friendly societies can be modernised.

The Chancellor will also announce an upcoming Financial Conduct Authority consultation to help households make better-informed decisions about their finances, as part of the government and regulator's joint Advice Guidance Boundary Review.

Stakeholder reaction to the Chancellor's Mansion House package

David Postings, Chief Executive of UK Finance said:

“ The Chancellor has set out a positive vision for financial services, which are a UK success story and vital to our economy. I strongly welcome her support for the sector, coupled with the fact that she is addressing how we can best balance risk and consumer protection to help support economic growth. Key to this is the regulatory environment, with the new remit letters rightly stressing the importance of growth and competitiveness in regulators' work. The Chancellor has listened to industry and is delivering across a range of areas we have called for action on, including a digital gilt, tackling payment fraud, reforming the Financial Ombudsman Service, supporting green finance, and the National Payments Vision. I look forward to continuing to work closely

with her and the government to ensure the UK retains a strong and globally competitive financial services sector.”

BVCA Chief Executive Michael Moore said:

“ The private capital industry warmly welcomes the decisive action taken by government to reform our pensions system to boost investment and deliver growth to the UK economy.

“ Creating greater opportunity for investment by pension funds into private capital could have a transformational impact on the UK’s most promising businesses whilst delivering strong returns for pension savers.”

Richard Oldfield, Group CEO Schroders said:

“ We have all the building blocks we need to generate growth in the UK. We have great, innovative companies; we have the capital, and we have the expertise and a world class capital market to link the two. What we need now is an injection of optimism and a healthier attitude to taking risk in the pursuit of reward. It is great to see the government putting sensible risk taking back at the centre of our economy. Whether that’s on green finance, infrastructure, science or tech; firms like Schroders working in partnership with pension schemes, regulators and the government can unlock the potential of the UK for the benefit of all of us.”

James Alexander, CEO, UKSIF said:

“ We welcome the new Chancellor’s prioritisation of sustainable finance in her first Mansion House speech. We are pleased to see this ambitious suite of measures including further progress on transition plans, harmonisation with international standards, and carbon market integrity. If delivered, these measures could position the UK as a world-leading centre for sustainable finance.”

Published 14 November 2024



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