



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

FundingSecure Action Group
Via email

17 March 2022

Dear FundingSecure Action Group,

Thank you for your letter of 25 February about the collapse of the former peer-to-peer (P2P) lending platform FundingSecure Limited. I am sorry to read of the difficulties your members have experienced as a consequence.

Administrators were appointed to FundingSecure Limited in October 2019 and they are working closely with investors and the Financial Conduct Authority (FCA). The process is ongoing, with key updates being shared on the FundingSecure investor platform, and investors and creditors will be updated with additional information as it becomes available. The administration team can be contacted at: fundingsecure@cg-recovery.com

The administrators continue to maximise recoveries where possible to the benefit of both creditors and investors. However, due to a claim being made by a creditor and the legal process surrounding that, the administrators have had to suspend the return of investors' funds while the matter is settled. We understand that recoveries are proving complex and costly so fully appreciate investors' frustration and disappointment that this process is taking so long. Any concerns investors have with the conduct of the administrators, professional valuers and solicitors should be directed to the respective professional bodies. As confirmed to investors who have complained about the FCA's authorisation and supervision of FundingSecure Ltd, the FCA has had to defer addressing complaints for the time being due to ongoing regulatory action.

There are currently no plans for the Government to establish an independent review of the conduct of the FCA in relation to the administration of FundingSecure Ltd. As you are aware, the FCA is an independent non-governmental body responsible for regulating and supervising the financial services industry. Although the Treasury sets the legal framework for the regulation of financial services, it has strictly limited powers in relation to the FCA. In particular, the Treasury has no general power of direction over the FCA and cannot intervene in individual cases. The independence of the FCA is vital to its role. Its credibility, authority and value to consumers would be undermined if it were possible for the Government to intervene in its decision-making.

Anyone directly affected by the way in which the FCA has exercised, or failed to exercise, its functions (other than its legislative functions) under the Financial Services and Markets Act 2000 (FSMA) may complain using the Complaints Scheme. The FCA website gives details of how to make a complaint via the following link: <https://www.fca.org.uk/about/complain-about-regulator>.

More broadly, the Government has implemented a proportionate, principles-based regime for P2P that balances the need for consumer protection with allowing the sector to grow and evolve. The rules overseen by the FCA were updated in December 2019. These place further requirements on platforms regarding risk management, governance, marketing restrictions, wind-down arrangements and disclosure requirements. The FCA's strengthened rules on wind-down planning make it clear that platforms must have arrangements to ensure that the P2P agreements they facilitate have a reasonable likelihood of being managed and administered, on an ongoing basis and in accordance with the contract terms, even if the platform ceased to carry out those functions itself. The FCA issued guidance as to what adequate wind-down plans might look like.

As P2P lending is not covered by the Financial Services Compensation Scheme (FSCS), the FCA require platforms to make investors aware of this fact before investing. If you believe that this was not the case, you should contact the FCA as the independent authority responsible for supervising P2P platforms. All P2P platforms must clearly state that 100% of capital invested is at risk. P2P products are investments, and investors must accept the risks that they take when investing in these products. This is why the FCA has limited investment in P2P as an asset class to no more than 10% of a consumer's investable assets.

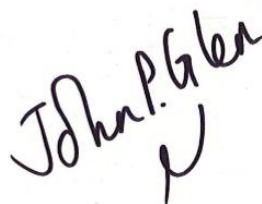
The Government is committed to fostering a strong, diverse and competitive financial services sector to ensure that UK consumers and the economy can benefit from high quality products and services at efficient prices. It believes that P2P providers deliver innovative forms of finance for both consumers and business that can provide competition to the major banks and, as such, is keen to see the sector continue to grow and evolve.

It is natural that over time, some businesses will choose to exit or enter the most innovative parts of the market, and this demonstrates healthy competition in the sector. The Government will continue monitor the sector through directly engaging with platforms, and the FCA, who independently regulate the sector.

On a separate note, in your letter you say that the Government set up the Transparency Task Force (TTF). I should be clear that All Party Parliamentary Groups (APPGs), such as the APPG on Personal Banking and Fairer Financial Services, are independent of government. I am therefore not involved in the work of the TTF.

Thank you for taking the trouble to make me aware of these concerns.

Yours sincerely,

A handwritten signature in black ink that reads "John P. Glen". The signature is written in a cursive style with a large initial "J" and a stylized "G".

JOHN GLEN