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House of Commons Public Bill Committee
Houses of Parliament
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Dear Public Bill Committee

Call for written evidence: Financial Services and Markets Bill

Thank you for the opportunity to provide written evidence regarding this important Bill. As you may know, Legal & General is one of the UK's leading financial services groups and a major global investor with over £1.4 trillion in total assets (as at 31 December 2021). We have c.10 million retail customers and 3,200 institutional customers including sovereign wealth funds, pension funds and other long-term investors. We pride ourselves in being a responsible, well capitalised business that can and must protect consumers' long-term interests. We have invested c.£33 billion in UK towns and cities outside London. These include: Edinburgh; Glasgow; Newcastle; Sunderland; Leeds; Salford; Sheffield; Manchester; Birmingham; Oxford; Bristol; Cardiff and Plymouth. We therefore have a strong interest in this Bill as it will be a key part of the legislative framework that underpins our businesses.

Our response it based on the current version of the Bill – i.e. the Bill as introduced at First Reading on 20th July 2022.

Overall, we strongly support the Bill and believe the draft legislation, if enacted, will deliver better outcomes for the UK and will be clear evidence of the value of post-Brexit flexibility. Clearly, we recognise that the primary legislation is mainly mechanistic – i.e. it will be the secondary legislation that will include the specifics in relation to how firms like ours operate. However, we believe the trajectory is right. Consequently, we have three over-arching comments to bring to this Committee's attention:

1. **Chronology:**

    a. We think it would be beneficial to both Parliament, as well as market participants and their representatives, for HM Treasury to publish a list of the order, and estimated timings, it expects to bring forward legislation for reform. This will allow all parties to ensure that resources can be ready to provide input to the reforms to ensure the legislation is fit for purpose – i.e. mitigating the risk of unintended consequences. We would suggest this list is continuously updated should there be any slippage in expected timings.

    b. Given the substantial amount of consultation already underway by HM Treasury, and the debate at Second Reading of this Bill, there is an accepted and recognised need to reform Solvency II. As a result, we would strongly suggest that Solvency II is one of the very first areas that is reformed, with secondary legislation being ready to be laid before Parliament early in 2023, should the Bill become an Act of Parliament. In doing so, it would be prioritising reform that will help unleash billions of investment in urban regeneration and infrastructure to support jobs and economic growth across the UK whilst at the same time ensuring financial stability and policyholder protection.

c. The Bill including a clause to reflect the above would therefore be beneficial.

2. **Intervention Power:**

c. We are aware that HM Government, based on Second Reading, set out its intention to introduce an intervention power to enable HM Treasury to direct the regulators to make, amend or revoke rules where there are matters of significant public interest. We are unable to provide specific comment on this until we have seen the specific amendment. However, we do believe that the Regulators should have accountability to Parliament and government, whilst recognising the need for regulatory independence. Legislation needs to adequately take account of this which is achievable - accountability and independence are not competing concepts.

3. **Statutory objective on competitiveness and growth:**

d. We welcome the proposed objective within the legislation. How this works in practice remains to be seen. We would suggest, to support the Regulators, that either within primary or secondary legislation there is further detail provided as to Parliament’s expectations with this new objective. The Bill making reference to this would again seem helpful.

Given that the Bill is still at a relatively early stage of the legislative process, with the likelihood of further significant amendments to be proposed, we remain available to provide further input as required through the passage of both this Bill and any subsequent related legislation.

Yours faithfully,

John Godfrey
Director of Corporate Affairs & Levelling-Up