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23 October 2024

Dear Chief Executive,

FCA strategy for Retail Banks in 2025

We are writing to retail banks to set out our key priorities in 2025 for their retail banking and retail mortgage lending activities.

The external environment and strategic context

Recent years have been 'tumultuous' for consumers' financial lives and challenging for firms. The Covid-19 disruption in 2020-21 highlighted the critical role retail banks play in the daily life of individuals, businesses and the wider economy. Through 2022-23 we saw market stresses including geopolitical tensions, volatile asset prices, weak global growth, inflationary pressures, and rising interest rates. The cost of living rose significantly, putting pressure on the finances of households and small and medium enterprises (SMEs). 2024 continues to be a year of important elections around the world, including a new government now in the UK.

Meanwhile, there have been significant regulatory developments, including the implementation of various rules and guidance concerning treatment of borrowers in financial difficulty (2020-2024), treatment of customers with characteristics of vulnerability (2021), the Consumer Duty (2022-24), and the business impact tolerance framework for operational resilience (2022-25).

The sector is also seeing interesting developments in technology and competition, such as:

- rapid development of Artificial Intelligence, which brings potential productivity gains but risks too
- the potential expansion from Open banking to Open finance
- questions of whether/where big tech companies may enter at scale into retail financial markets

While we can be reasonably sure about ongoing consumer demand for transactional services, savings and credit, exactly how these will be provided and by what types of businesses is something that continues to evolve.

Retail banks are responding to these events and trends in various ways. As our 2021 letter anticipated, many are taking forward strategic transformation initiatives to evolve business models, reduce costs, and improve end user experience. We have seen significant branch and ATM closures and increasing digitisation of channels and services.

More recently, some banks are choosing to withdraw from certain activities, or merge with other firms, or wind down completely. If such steps are being contemplated, firms should carefully consider the relevant risks, contractual arrangements, and the impact on customers including continuity of service provision (in line with the Consumer Duty and other Principles), before starting on the transaction and the necessary regulatory processes.

We are also seeing the growing provision and use of 'banking as a service' and 'embedded finance'. These arrangements can involve multiple entities of various kinds including banks, fintechs, techfins and non-financial businesses, with complex divisions of labour. As such, they will tend to present novel challenges to the retail banks involved, for example around the legal and practical allocation of responsibilities or liabilities, and the design and day-to-day exertion of controls over conduct and other risks. So, firms will wish to carefully consider these aspects.

However, as our chief executive said in his speech 'Investing in Outcomes' (March 2024), we have always been clear that firms may need to adapt their business models in response to competition and a changing market, and we recognise that by responding agilely to changes in markets, we can help to facilitate growth, competitiveness and innovation that can bring better outcomes for all consumers.

Thus, retail banks are having to manage regulatory change, ensure compliance and act to deliver good customer outcomes, whilst transforming business models and technology, amid external headwinds and growing diverse competition. This complex set of challenges puts a premium on retail banks having effective cultures and controls, including:

- Leadership and people management which establishes healthy purposeful cultures in which staff at all levels act with integrity and in a customer-centric way.

- Governance and oversight which is strong and balanced enough to plan and execute major changes in a way that safeguards customers.

- Risk management frameworks, including cohesive lines of defence, that give proper early consideration to conduct risks and to monitoring the customer outcomes being delivered.

These should apply equally to non-financial as well as financial conduct. If allegations or evidence of non-financial misconduct, such as bullying, harassment or discrimination, come to light, we expect firms to take them seriously and consider each case through appropriate internal procedures, thereby building confidence among staff that such concerns will be independently and fairly assessed. Firms should consider the proposals outlined in CP23/20 to explicitly include non-financial misconduct in Fit and Proper assessments, The Conduct Rules, and the Suitability guidance on the Threshold Conditions. CP23/20 also proposes measures to improve diversity and inclusion, which supports healthy cultures, including by helping to reduce group think.

We will engage retail banks on their cultures and controls, including in those respects, during our work on the following six priority areas.

Summary of our priorities

In our engagement with retail banks through 2025, we will focus on the following priority areas (and Annex 1 details for each what we expect of retail banks and what we will do):

1. **Consumer Duty** ('the Duty')**:** this is a cornerstone of the FCA strategy to set and test higher standards to 2025 and beyond. Banks must embed the Duty, to act to deliver better outcomes for retail customers.
2. **Treatment of Customers in Financial Difficulty:** amid continuing pressures on household finances, banks must, per the Duty, support retail customers in financial difficulty to make informed effective decisions, act in their own interests and pursue their financial objectives.
3. **Access:** as banks transform their channels, products and services, it is vital their customers are not left behind and that consumers are not unreasonably or unlawfully excluded from payment accounts and banking services.
4. **Operational Resilience:** many banks are modernising their technology estates to improve efficiency, data and customer experience. But such change programmes can create execution risks of weakened resilience or business interruption which need careful management.
5. **Financial crime and fraud:** banks play a vital role in defending the UK and international financial system from criminal misuse. Continuous improvement must remain a priority for firms, to combat the evolving tactics of bad actors, and to ensure that controls are effective in preventing and reducing financial crime whilst suspicions are promptly investigated so that consumers are not unnecessarily denied access to their accounts.
6. **Sustainable Finance:** banks have a role to play in helping the economy transition to a more sustainable long-term future. This includes increasingly looking beyond net zero targets and climate change to consider wider environmental risks, such as those related to nature and biodiversity. It is important that banks are clear, fair, and not misleading in relation to any sustainability-related claims made about their products and services, so that consumers and other market participants can make informed decisions. Where banks publish or communicate details of their climate commitments and transition plans, they should be able to demonstrate how they are meeting them and make any limitations clear.

We expect retail banks to deliver good outcomes across the full range of those priorities.

For our part, we will make full use of our knowledge, data and technology to deliver incisive outcomes-focused supervision, in support of proportionate and effective regulation and, where appropriate, our Secondary international competitiveness and growth objective.

Together, we can thereby contribute also to high standards of market conduct, to the UK's position as a trusted competitive global financial services centre, and to supporting sustainable growth and competitiveness in the wider UK economy.

Next steps

We expect you and your board to discuss this letter, consider your business in the light of the risks we discuss, and review your approaches to mitigating these and driving improved outcomes, including the prompt remediation of any issues you identify. You should be prepared to show and explain to us how you are taking reasonable steps in those respects.

A cooperative relationship between regulated and regulator is crucial: we expect firms to be open and honest with us, including informing us of anything we would reasonably expect notice of under Principle 11 (relations with regulators), which applies to unregulated activities as well as regulated activities (and takes in to account the activities of other members of a group). Note too the notification obligations under SUP 15.3.1R (matters having serious regulatory impact) and SUP 15.3.11R (significant breaches of a rule/Principle).

In the context of this letter, we note the particular importance of our being notified of:

- Any product, service or customer journey that is significantly non-compliant with the Duty.
- Any proposed business expansion, change or restructuring which could have a significant impact on your firm's risk profile or resources.
- Any proposed provision of a new type of product/service, or proposed cessation of a regulated or ancillary activity or significant reduction in the scope of such (SUP15.3.8G(1)(c)&(d)), including the purchase or sale of mortgage books or the transfer of legal title.

In our supervisory work, we will continue to consider carefully whether those with relevant senior management functions have carried out their responsibilities appropriately under the Senior Management and Certification Regime.

If you have any questions about this letter, please contact the FCA Supervision Hub on 0300 500 0597, or your normal supervisory contact where applicable.

Yours faithfully

Emad Aladhal
Director, Retail Banking
Supervision, Policy and Competition

ANNEX 1 – DETAIL ON OUR 6 PRIORITY AREAS FOR RETAIL BANKS IN 2025

In our work on these priorities (and the cultures and controls underpinning them), we will use a range of tools including bilateral firm engagement, 'shallow' and 'deep' dives involving firm visits, and multi-firm work of various kinds. Our programme includes some specific planned pieces of work, but we will continue to reprioritise and adapt where issues or events demand this.

Priority 1 - The Consumer Duty

What we expect retail banks to do

As we have emphasised previously:

- The Duty is a powerful lens through which banks should assess their transformations or growth.
- We expect the Duty to be a top priority for you personally: ensuring your firm is acting to deliver good outcomes for retail customers should be at the heart of your strategy and business objectives.
- Your board and senior management should be embedding the interests of retail customers into the culture and purpose of your firm.

In addition to our Finalised Guidance on the Duty (July 2022), we commend the following publications to you:

- Our expectations and approach concerning the implementation of the Duty in retail banking and mortgage lending (February 2023), where we highlighted some specific products, services and risks that retail banks should consider especially carefully under the Duty, and our feedback to firms on their implementation of the Duty in some of those areas (December 2023).
- The results from our Duty preparedness firm survey across sectors (February 2024).
- Our feedback report across sectors on good practice and areas for improvement in Duty implementation (February 2024) and accompanying speech. That report highlights, among other things, the importance of firms considering the needs of customers with characteristics of vulnerability as part of product/service design and doing more to identify and support these customers and track and improve their outcomes.
- Our update on good and poor practice around the Price and Value Outcome (September 2024) which collated insights from the first year of implementation and is intended to help firms improve the way they think about fair value assessments.

Having regard to those helpful materials, your priorities now should include:

- Continued embedding of the Duty in your culture and your full range of retail banking and mortgage activities.
- Continued sourcing and delivery of the data, management information (MI) and dashboards you need to monitor and evidence customer outcomes under the Duty and identify and address poor outcomes promptly.
- Refining your mechanisms for governing and reviewing those dashboards and acting on them, including preparing your board's assessment (at least annually) of whether your firm is delivering good outcomes for its customers (see 10.11-14 of our Finalised Guidance).

Your board's assessment will be part of the evidence we use to review compliance with the Duty, and we expect to be provided, if we request it, with the report and the key MI that sits behind it.

You should continue to have regard to the importance (highlighted previously) of sharing information with other firms in the value or distribution chain, including to support your monitoring and review of the outcomes that your mortgage and credit customers are experiencing, to ensure those products and services are distributed to the right target market and meet customers' needs and objectives.

You should also think carefully about sharing information in the context of offering and/or using 'banking as a service' or 'embedded finance', for example to help ensure effective monitoring and controls over conduct and other risks whilst also remaining alert to your firm's own data protection and competition law obligations.

You should by now have finished implementing the Duty for your closed products or services (applying learnings from your implementation for open books). However, we would highlight again here two ongoing challenges for retail banks with such typically older books.

1. Out-of-date or incomplete client records that are missing characteristics and needs, sales records, or historic performance of the product. This can make it harder to serve consumers appropriately, particularly those with vulnerabilities. So, if you really can't fill these records gaps, you should take additional steps to mitigate the risk of harm, for example by enhanced outcomes testing for these customers.
2. Tracking down less engaged customers: a lack of engagement by firm or customer can lead to problems such as customers paying for products they no longer need or are now ineligible for, or not being aware of key changes impacting their use. So, you need to test, monitor, and adapt your approach to communications, including timing and content, if these aren't driving the right customer engagement and understanding.

You should share with us promptly any outstanding challenges or issues arising from your implementation for closed products and services.

Concerning the Duty and retail banks' mortgage activity, we would highlight specifically that we expect firms to lend responsibly, including by conducting accurate and appropriate affordability assessments. We see these responsible lending requirements as especially important currently in the areas of:

- Later life mortgage lending, where we expect firms who operate in this growing innovative market to continue to take a prudent, proportionate approach to assessing customers' income both before and beyond retirement.
- Second charge mortgage lending, which is increasingly being used to consolidate debts; where borrowers are already potentially over-indebted, a robust approach to assessing affordability is essential.

Retail banks should also take particular care with their handling of the forthcoming maturity of historic interest-only and part-and-part mortgages, and continue to work with interest-only borrowers to act to deliver good outcomes when the mortgage matures, helping to avoid the sale of the home where this was not the intended repayment strategy (see our update on the FCA and Industry Working Group on interest-only mortgages).

Many closed book mortgage borrowers may be unable to re-mortgage and will be paying variable rates of interest. Some will also be vulnerable and lack financial resilience. It is important banks recognise the difficulties facing these borrowers and provide them with the appropriate support.

We are seeing banks enter into forward flow arrangements with non-bank mortgage lenders, whereby the latter originate mortgages for them. Both firms entering into such an arrangement will wish to consider, and reach a shared understanding of, their respective Consumer Duty responsibilities, if any. This will include the appropriate governance and oversight of the arrangement to mitigate any potential consumer harm. As part of this, we would find it helpful to be notified (under Principle 11 or SUP15.3.8) of new forward flow agreements.

Concerning the Duty and cash savings, our recent update on the actions we have taken since our July 2023 market review found that:

- While firms were benefitting as base rates increased, these benefits were increasingly passed to savers.
- There was room for improvement in how firms assess the value offered by their savings products.

All firms offering cash savings products will wish to consider that feedback and analysis and improve their own assessments.

What we will do

For our part, we will:

- Actively monitor the sector to identify poor retail customer outcomes and act where necessary.
- Carry out project work on any high impact topics under the Duty emerging in the sector.
- Continue to engage regularly with larger retail banks on the Duty and its embedding – though banks of all sizes should be ready for us to include them in engagement - focusing on firms':
    - data and MI and board reports on outcomes and what these show
    - ongoing embedding of the Duty within their culture and controls framework
    - understanding of the needs and treatment of their retail customers in vulnerable circumstances; we will do further work to consider firms' performance on that

We will continue to closely monitor how well the savings market is operating:

- We note especially that some providers have big differences in rates between their open book and closed book savings products, and if firms seek to maintain such price differentials now (after the closed book deadline) we will look for them to clearly explain the justification for this differential in their fair value assessments.
- We will continue to monitor the pace and extent to which firms react to changes in base rate and we will look closely at any firm that appears to take a 'rocket and feather' approach to pricing on either side of its balance sheet.
- Our work on cash savings will also help ensure that firms are engaging more effectively with their customers about the better offerings they could move to.

That work will also help us develop our approach to assessing fair value more generally (for example in our continuing engagement on business current accounts).

Priority 2 – Treatment of customers in financial difficulty

What we expect retail banks to do

We have reminded firms of the standards they should meet to support struggling borrowers and where they need to improve treatment of those in financial difficulty. We recently fined a firm for failing to ensure customers who were in arrears were treated fairly.

In June 2023, to support the Government's Mortgage Charter, we made rules enabling lenders to offer temporary interest-only or reverse a term extension without an affordability test.

Firms should continue to treat repossession as a last resort, but where all attempts to resolve the position have failed, they should also consider the impact of extended forbearance on the borrower's remaining equity.

To further build on our expectations that firms treat borrowers in financial difficulty fairly, we have made rules to strengthen protections for borrowers in financial difficulty (PS24/2). These come into force on 4 November 2024 alongside updated non-Handbook guidance (FG24/2 replacing FG23/2). Under these new rules, mortgage, consumer credit and overdraft providers have to:

- Consider earlier appropriate support for customers who are in or at risk of payment difficulties.
- Consider a wider range of forbearance options and take reasonable steps to ensure that any arrangement remains appropriate.
- Refer or signpost customers to free, impartial money guidance and debt advice, where appropriate.
- Not charge arrears fees that are higher than necessary to recover firms' reasonable costs for consumer credit customers.
- Take in to account the effect of any potential arrangements on the customer's overall mortgage balance.

What we will do

Across mortgages, overdrafts and (with our consumer finance colleagues) consumer credit, we continue to monitor regulatory and other data on new and early arrears and payment shortfalls, to highlight trends, issues and outlier firms, so we know where to focus our engagement or make other interventions. We are likely to focus on segments of the market where customers may be more likely to have characteristics of financial vulnerability. We remain alert to signs of poor treatment or outcomes, including where firms are not offering suitable forbearance options or not exercising these appropriately (including over-forbearing).

We will continue engagement on banks' resourcing of and controls over their Collections and Recovery functions, which play a key role in the fair and efficient treatment of borrowers in difficulties, including SMEs. The data we collect and analyse provides a view across SME lending products on volume of arrears, average time in arrears and forbearance being offered.

Concerning overdraft repeat use, we understand that the publication of our findings of good practice and areas of concern was found to be constructive. We expect firms to continue to focus on improving outcomes in this area.

Priority 3 – Access

What we expect retail banks to do

As we have stressed previously, we do not prescribe which channels a firm must offer. We recognise that many firms will continue or start to nudge customers who use branches or telephony toward making more or sole use of digital channels. But firms must be alert to the risk that some customers might lose access to the support they need, or even to their account completely, if they are unable to use a digital channel.

Any bank seeking to move to mainly or solely digital provision of accounts must take care to ensure that retail customers, especially the digitally excluded or those in vulnerable circumstances, do not experience foreseeable harm or poor outcomes. Relevant considerations, under the Duty and our guidance on branch and ATM closures or conversions (2022), are in our Duty letter (2023) at paras 8-11. Firms need to proceed thoughtfully, including focusing on the provision of suitable alternatives in some instances, while continuing to invest in helping customers move to digital.

As we highlighted in our review of payment account access and closures (September 2023):

- Under the Payment Account Regulations (PARs), banks and other credit institutions must not (in declining, suspending, or terminating a payment account) discriminate against consumers based on a range of characteristics, including political views.
- They must also comply with legal obligations under the Equality Act 2010 which prohibits them from discriminating against people or companies based on certain protected characteristics.
- Under the PARs, designated credit institutions must offer Basic Bank Accounts to consumers (natural persons acting for personal purposes) resident in the UK who meet the required eligibility criteria.
- If a firm relies on a contractual power to terminate an account, it must ensure it is acting in line with that power.

Our review made clear that access is a constellation of issues and drivers, affecting different groups in different ways.

Following further work on some of those issues and drivers, we published an update report (September 2024), which relevant firms will wish to pay close attention to. Based on the findings from that work, the report provides more detail on our expectations and areas where we see room for improvement, including that we expect firms to:

- Review their relevant policies and procedures on payment account access through the lens of the Duty, if they have not already done so; generally speaking, we expect firms to ensure their decisions on account access are based on reasonable and properly considered grounds (including where citing 'reputational risk' as a basis for account denial or termination).
- Ensure their governance and oversight of account access decisions support their compliance with their obligations under the Duty, including collecting and recording adequate accurate data on account access decisions, to inform appropriate MI enabling robust oversight of account access outcomes.
- Act proportionately in the context of account access with respect to the financial crime risks they identify and not apply a generic approach to management of those risks.

- Provide customers with characteristics of vulnerability with an appropriate level of care in light of those characteristics; for example, firms should ensure that customers without a permanent address are made aware that they have alternative options for meeting identification requirements to open an account.

We also expect firms, where applicable, to improve awareness of the availability of Basic Bank Accounts among their customers and prospective customers, in light of the consumer understanding outcome rules under the Duty, and make it easier for customers to choose to apply for a Basic Bank Account if they are eligible.

We set out the final rules for our access to cash regime, which seeks to ensure reasonable provision of cash deposit and withdrawal services for personal and business current accounts. The rules came into force on 18 September 2024 and apply to firms designated by HM Treasury. Our regime requires them to identify gaps in cash provision and assess a wider range of local needs. Following a trigger event (such as closures of, or material reductions/changes to the provision of, cash access services at an existing facility), if an assessment finds a significant gap in provision, designated firms need to promptly provide additional cash access services. There is more transparency in the assessment process, with our rules setting out standards firms should meet when communicating and engaging with communities.

While the new regime addresses cash access issues for communities as a whole, the Consumer Duty sets out our expectations for firms' treatment of retail customers, including those in vulnerable circumstances. So, all retail banks should engage with us if they are considering withdrawing or restricting access to products or services in a way that will have a significant impact on vulnerable consumers or on overall market supply. Our Branch Closure guidance (FG22/6) remains in place and provides additional detail on our expectations for all firms.

What we will do

We will continue to engage with banks on their programmes of transformation, digitisation and branch closures, to ensure they are proceeding fairly and thoughtfully in these respects, including with regard to customers in vulnerable circumstances, and reasonable access to cash.

We also continue to monitor customer contacts about suspended ('frozen') accounts, identifying any firms that have outlier rates of suspension and engaging them to ensure they make improvements to relevant systems and controls where appropriate.

Priority 4 – Operational Resilience

What we expect retail banks to do

Banks' transformative changes now typically involve migration of banking and mortgage platforms to public and/or private cloud, the increasing use of digitisation and application programming interfaces (APIs), and increasing use of third parties and technology outsourcers. These major change programmes create significant execution risks and typically stretch firms' change management capacity and governance/oversight.

Banks are having to manage these risks while implementing our Building Operational Resilience Policy final rules, which came into effect in March 2022. The transition period for these rules ends in March 2025. The key requirement is that banks must set impact tolerances for their identified important business services and be confident they can remain within those.

So, firms' main focus now must be testing, and identifying emerging risks which in turn are to be incorporated into scenarios and testing plans. We expect to see increasing sophistication and maturity in firms' testing of resilience in different scenarios, and their refinement of action plans for remediating vulnerabilities and remaining within their tolerances. See our observations and insights on firms' preparations (May 2024) to help you review your own firm's approach and assess your readiness for March 2025. We will continue to share thematic observations and insights to inform firms' approaches to building operational resilience.

Other risks we want to flag for banks' consideration (and of interest to us) are the:

- Potential concentration risk, and consequent risk of systemic disruption, arising from shared reliance on small numbers of third parties.
- Risk your supply chains are not well protected: third party failures are a common root cause of reported incidents and we know firms sometimes struggle to maintain the right level of visibility throughout their supply chains on risks in third, fourth or nth party suppliers. But firms must tackle this, as they remain primarily responsible, and ultimately accountable, for managing risks to their resilience arising from their arrangements with third parties.
- Risk of technology arrangements being insufficiently resilient to cyber-attacks (poor 'cyber hygiene') or not including well-tested plans to mitigate the likelihood of harm from such.
- Risk of having inadequate controls over data, particularly relating to payments, and being vulnerable to cyber-criminals acquiring these; for example, there are risks from growing data sharing in APIs across companies.
- Threat of state actors' 'living off the land' techniques, which use existing tools within a firm's environment to carry out an attack and compromise and maintain persistent access, and so can be hard to detect. See the NCSC guidance note for recommendations on how to improve detection and hardening against such techniques, which you should consider as part of your defence in depth (and see also the summarised version).
- Risk from malicious insiders: whilst no organisation likes to think its people could be motivated to carry out attacks, and external attacks are more common, it is important to acknowledge that attacks might come from within, and may cause greater damage because of the information, access and trust they possess. So, it is important to assess the impacts from such insider risk and how it might be mitigated, especially given growing proportions of employees with fewer cultural ties to their organisation or its security practices, which may make it harder to ensure users are resistant to phishing or social engineering.

In sum, retail banks should have well-tested plans to mitigate the likelihood of harm from cyber-attacks, and as part of that you should read the CBEST thematic report and consider embedding the findings into your cyber strategies.

What we will do

We will continue risk-based engagement (in collaboration with the PRA) with retail banks on their:
- major technology change programmes
- progress toward the March 2025 resilience deadline, including reviewing their 2025 operational resilience self-assessments (ORSAs) and giving feedback on these
- CBEST testing, including work to ensure issues identified are being remediated and residual risks mitigated
- definitions and controls of insider risk

Priority 5 – Financial crime and fraud

We have conducted significant work in this area over the last five years which has driven improvements, particularly in money laundering controls, in the highest-risk parts of the sector.

Key public outputs from that work, which banks should pay close attention to, have been our:

- letter to retail banks on common control failings identified in anti-money laundering frameworks (May 2021), based on our extensive work with various banks in previous years
- report on financial crime controls at challenger banks (2022)
- enforcement actions against larger banks (HSBC (2021), Santander UK (2022)), and smaller ones (eg Gatehouse (2022), Al Rayan (2023), Guaranty Trust (UK) (2023), Starling (2024))
- work on reducing money laundering through cash deposits via the Post Office and our expectations of firms' controls
- key findings on firms' sanctions systems and controls (2023)
- report on 'proceeds of fraud – Detecting and preventing money mules' (2023)
- report on 'anti-fraud controls and complaint handling in firms (focus on APP Fraud)' (2023)
- full list of available FCA resources around financial crime

Financial crime remains a FCA top priority in our 2024/25 business plan, and in our work with retail banks we will make increasing use of data and analysis to identify outlier firms and target our engagement and other interventions.

What we expect retail banks to do

Firms should continue to learn from our previous outputs and our update on FCA progress in reducing and preventing financial crime (2024), which includes 4 areas of focus and related questions for firms' boards to ask themselves. Firms should look out for any further publications from us during 2024/25, including our proposed updated Financial Crime Guide.

Firms should invest in adequate resources and controls, including appropriate (suitably tested) use of advancing technology where this is likely to assist in areas such as transaction monitoring.

Managing financial crime risks will be especially important and challenging for banks in the context of their offerings of, or participations in, 'banking as a service' or 'embedded finance'. As noted, these often involve complex chains of multiple entities, and will also tend to involve demands for rapid customer approvals and onboarding which may exert stress on the controls of the bank (or other entities) involved.

We recognise that firms have invested in their systems and controls to detect and prevent fraud. Some have made more progress or had more success than others in what is a constantly evolving area. As payment service providers, retail banks should regularly evaluate their approach to identifying the fraud risks they and their customers are exposed to, and continue to develop their defences against fraud and ensure their control frameworks are fit for purpose. They must put the needs of their retail customers first and act to deliver consistently good outcomes for them. This includes helping customers understand what fraud is and how to identify it, making it easy for customers to report fraud, and setting out what they can expect from the firm when they do report it. Firms should support the victims of fraud, so they are treated fairly in all their interactions with the firm, including if they make a complaint about the fraud. Firms should be particularly mindful of the needs of customers who may be more vulnerable.

The Payment Systems Regulator's new reimbursement requirements for banks and payment companies concerning APP fraud will ensure more customers get their money back if they are a victim. The PSR expects this significant new level of protection to prompt more action to prevent these frauds happening in the first place. Firms in scope of the requirements will wish to consider our recent Dear CEO letter setting out our expectations on APP fraud reimbursement.

What we will do

We will continue our:

- Engagement with a number of banks (larger and smaller) which are progressing major programmes of improvement in their financial crime systems and controls.
- Engagement with banks where new or heightened financial crime risks are emerging.
- In-flight multi-firm work in the context of cash deposits through the post office and cash-based money laundering.
- New risk-based proactive assessments of some banks' AML and sanctions controls.
- Work with firms in follow-up to our fraud review, to strengthen their approaches.

Priority 6 – Sustainable finance

What we expect retail banks to do

As retail banks develop their sustainable finance offerings, they should take care to have appropriate governance and controls in place and make sure that any sustainability-related claims made about their products and services are fair, clear, and not misleading. Our specific new anti-greenwashing rule came into force on 31 May 2024, and we encourage firms to use the finalised guidance that we published.

Similarly, where banks publish climate transition plans, they should be able to demonstrate how they are meeting their commitments. It is important that consumers and the market are protected from potentially misleading or inaccurate information, so any communications made about climate commitments and transition plans should be representative, and any limitations should be clear.

We recognise that appropriate cooperation between firms can be helpful in this space and so we welcomed the publication of the Competition and Markets Authority's Green Agreements Guidance (October 2023). We encourage firms to consider the CMA's guidance which provides clarity about what is, and what is not, legal when working together towards environmental sustainability goals.

What we will do

With our new anti-greenwashing rule now in force, we will be paying close attention to retail banks' claims and controls in this area.