# An uncertain 2024 could give way to a more stable 2025 for the UK financial services sector

## December 2024

Most people will agree that 2024 was a tumultuous year with a lot of change and uncertainty. There have been elections in more than 60 countries, and a full-scale change of the UK government. It has also been an uncertain year for the UK financial services sector.

A more principles-based form of regulation with fewer detailed rules has been in play, as one year on from the Consumer Duty, the Financial Conduct Authority (FCA) has begun to check on implementation. Many firms are still unsure if they're doing enough, or how to create evidence of 'fair' outcomes.

The new focus on principles-based regulation to stimulate growth, such as the Consumer Duty, is likely to be welcomed by many in the industry. It does, however, lead to greater uncertainty around interpretation of the rules and highlights the need for training and upskilling.

The recent Court of Appeal ruling extending liability to lenders on motor finance commissions is another potentially concerning development with an unclear outcome for the industry. Some firms who thought they were safe because they only ever paid fixed rather than discretionary commissions are suddenly on edge.

And although this case is from the motor financing sector, it has potential far-reaching implications for a much broader range of products including any goods and services purchased through credit arranged by credit brokers. The two regulators involved - the Financial Ombudsman Service and the FCA have not been aligned on their views, creating further uncertainty for firms.

It is likely that a level of uncertainty will continue into 2025 for UK firms. Consumer Duty will continue to play out, and we can expect the FCA to delve deeper into its implementation in particular sectors, such as insurance. The Supreme Court will review the Court of Appeal ruling, with the FCA potentially taking an active role. We will also see how the UK government tries to support and encourage a growth-minded, principles-based approach to regulation.

However, compared to the macro-economic picture elsewhere in the world, the UK could provide a stable environment for financial services in 2025.

The new US President to be inaugurated in January is not known for his predictability. President Trump is likely to deregulate cryptocurrency in the US, supported by his Head of Government Efficiency Elon Musk, which will have an inevitable knock-on effect on asset managers in Europe. He has also threatened a range of tariffs on imports, but with actual numbers to be worked through. The possibility of a Trump-Musk spat shouldn't be discounted.

The latest political developments in France and Germany also signal an uncertain macro-economic environment for the continent in the new year. Emmanuel Macron's handle on the governance of France looks increasingly weak, and the German Chancellor Olaf Sholtz triggered a no confidence vote in himself, after his government's collapse. Regulatory decision-making in Europe could therefore become deadlocked in 2025 if left and right factions are unable to broker a deal, particularly on matters such as ESG and environmental assets. The threat of US sanctions could provoke either common purpose or fragmentation.

In comparison, the UK could look like a haven of stability for investors. An established government with a large majority, and four years to enact their plans. There will be less political pressure for divergence from the EU for its own sake, and the UK government, the Treasury, and the regulators can take decisions that make sense from a growth perspective. Regulatory stability could set UK PLC up well for the year ahead.