

## The Financial Conduct Authority (FCA) Continues Its Crackdown on Non-financial Misconduct in Financial Services

July 2025

On 2 July 2025, the FCA finally issued its long-awaited next steps document ([CP25/18: Tackling non-financial misconduct in financial services](#)) on the proposed new guidance on non-financial misconduct (NFM).

The document contains two key elements:

- **A rule change from 1 September 2026** – To ensure consistency across the sector, the FCA has confirmed that non-banks will be caught by the FCA's Code of Conduct Rules (COCON) from that date, bringing more instances of NFM into the FCA's remit. In the FCA's own words, "previously it has been unclear when [serious bullying and harassment] would amount to a conduct rules breach in a firm other than a bank." This change was proposed in the FCA's previous consultation paper [CP23/20](#) and, as it was given what the FCA viewed to be "strong support," it will go ahead without further consultation. The FCA has confirmed that this will bring an additional 37,000 regulated firms into scope but notes that firms without a Part 4A permission will remain out of scope – for example, payment and e-money firms, regulated investment exchanges and credit ratings agencies.
- **A consultation open until 10 September 2025** – The FCA is seeking views on proposed new handbook guidance on NFM (Handbook), with the aim of making it easier for Senior Management and Certification Regime (SMCR) firms to interpret and apply consistently the conduct rules; and to clarify statutory and FCA requirements for fitness and propriety. The consultation will close by 10 September 2025, with the intention that the final NFM guidance will be published by the end of this year. We will believe it when we see it.

The FCA has also confirmed it will not be going forward with two of its other previous proposals – in that it will not be providing guidance on the relevance of NFM and discriminatory practices to the threshold conditions in terms of the FCA's assessment of an individual's suitability to undertake regulated activities, nor will it be providing guidance to remind firms of the potential need to disclose NFM at work, or in private life in a regulatory reference as part of the Senior Management Arrangements, Systems and Controls (SYSC).

The probable answer here is that useful guidance would have to deal in specifics, not platitudes and generalities. "Discriminatory practices" and the private lives of bankers are vexed and complicated areas that you would only go into if you could see a clear way out, and neither offers that obvious way through. However, do note that the decision not to offer further guidance in relation to regulated references does not mean that the underlying rules and principles no longer apply – they very much still do.

### Our key takeaways:

- Having abandoned its diversity and inclusion proposals in March of this year (following consultation on this since 2023 – please see [our blog post](#) for more detail), it is clear that (despite some understandable cynicism when that announcement was made) the FCA is indeed staying focused on driving cultural change within the financial services industry, including by "deterring wrongdoing that can harm individuals and contribute to an unhealthy workplace culture"; "preventing the development of workplace cultures that facilitate further wrongdoing" and "countering rolling bad apples" by including NFM in the regulatory references provided to prospective employers.
- However, this issue of NFM has rumbled on for some time with little clarity, not least because of the muddle to be resolved in the interplay between the regulatory regime and employment law. It remains to be seen whether these latest proposed changes to the Handbook will aid or hinder this endeavour. However, hard as it may be to define a line around NFM, the FCA gives regulated employers its best shot. To leave it vague exposes undeserving employees to regulatory report, or investigation at the hands of overanxious or puritanical employers and will be catnip for disgruntled or vengeful employers. They will be able to allege that they have believed almost anything to be NFM (and hence gain the statutory protections afforded to whistleblowers), regardless of its actual impact on the fitness or propriety of the individual accused. Precision around what is in and what is not will be vital to prevent this. Even then, however, employers and employees in the finance sector will need some insight as to what happens when NFM is reported – is the employer's view on fitness and propriety sacrosanct, or can the FCA overrule it? And if so, after what sort of process? How will the FCA sort wheat from chaff on the reports it receives, not just from employers but, more particularly, from "concerned" individual whistleblowers?



- Indeed, the FCA itself is perhaps a little less confident now in its ability to add clarity than when this all began – noting in the foreword to this latest document that “firms are used to making judgments in these cases and it is impossible to give an exhaustive list of circumstances in which misconduct will breach our rules, so firms will still need to exercise judgement. But we are asking if firms would find guidance helpful.” Later in the document, the FCA acknowledges the various advantages and disadvantages of including the proposed new Handbook guidance, and again makes clear that it will only go forward with the new guidance if there is clear support to do so. So, cracking down on NFM remains high on the FCA’s agenda, but with the caveat that it is not exactly sure how to go about it.
- We recommend that all those impacted engage loudly and clearly with the consultation to ensure that your viewpoint is heard. We are in the process of carrying out a detailed analysis of the proposals in the consultation and will be preparing a response in conjunction with our clients and contacts. Please do get in touch if you would like to collaborate with us on this, or if you would like advice on preparing your own response.
- What is clear is that from 1 September 2026, NFM (including misconduct such as bullying, harassment and violence) will be a regulatory concern for non-banks too. We advise firms caught by this to review their existing policies and procedures. While the FCA has said it will not retroactively apply the new duty, firms are advised to ensure their practices are compliant with the COCON and should undertake risk assessments internally to ensure good practice in readiness for the implementation of the new rule.



## Meet the Specialists

Please do contact our specialists below if you would like to discuss these changes or indeed require any other support in relation to financial services.



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