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*Working in Mortgages response to FCA/PRA CP2320 Diversity and inclusion in the financial sector – working together to drive change*

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This response is submitted on behalf of Working in Mortgages (WIM). WIM is a careers and outreach initiative founded by the Association of Mortgage Intermediaries and the Intermediaries Mortgage Lenders Association (AMI and IMLA).

The initiative brings together lenders, intermediaries, trade bodies, consultants and related sectors – to work together to provide support to firms, individuals and those who might be looking to join our industry.

### Introduction

WIM is pleased to have the opportunity to respond to this consultation. We would be grateful for our comments in this section to be considered alongside our responses to the set questions. In 2021 AMI produced a [Viewpoint report](#) on Diversity, Inclusion and Equity in the mortgage industry. A total of 1,178 people completed the survey which provides us with a strong picture of how people within our sector felt about D&I at that point.

The findings of the Viewpoint echo the sentiments in the FCA CP: companies that have greater diversity outperform their competitors, companies with high levels of D&I are more innovative and companies with excellent track records for D&I are more attractive to prospective employees<sup>1</sup>.

Off the back of this Viewpoint, Working in Mortgages was created and over the last two years we have launched a mentoring platform and a website to drive D&I across the sector and within the wider industry. We have working groups with volunteers from across both lenders and intermediaries and are therefore uniquely situated to give a view on this D&I consultation paper.

As we have seen in recent years, confidence in financial services in regards to D&I is an area of concern; one factor affecting public confidence is the length of time between allegations of serious non-financial misconduct and the resolution of the case. FCA data shows most cases take five years to be resolved. We are appreciative of the difficulties faced when pursuing allegations of non-financial misconduct, however the current timelines do little to provide support and closure to any victims.

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<sup>1</sup> <https://workinginmortgages.org.uk/wp-content/uploads/2022/09/Final-Viewpoint-DI-Report.pdf>  
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We fully support the decision of the FCA and PRA to support and improve D&I as a core aspect of financial services and we hope that as regulators you are able to embed real change rather than simply introduce more boxes to tick.

With that in mind, we are apprehensive about the benefits of the data reporting in its current form, for example, whilst a company may have to report on the number of disabled employees they have, there is little to push firms towards meaningful change. Within D&I, disabilities and long-term health conditions are often overlooked due to how varied and unique the situations and accommodations can be; this lack of focus has created a situation where many firms are uneducated on disabilities and unwilling to provide basic accommodations for their staff.

We consider this to be a journey for most firms and formalisation of data gathering is to be welcomed, as a first step. We would welcome further guidance and best practice approaches from the regulators for firms relating to how best to improve their policies regarding D&I. We are supportive of this and want to work in partnership to deliver meaningful change.

### Questions

**Q1: To what extent do you agree that our proposals should apply on a solo entity basis?**

Agree.

**Q2: To what extent do you agree with our proposed proportionality framework?**

Agree.

**Q3: Are there any divergences between our proposed regulatory framework and that of the PRA that would create practical challenges in implementation?**

No comment.

**Q4: To what extent do you agree with our definitions of the terms specified?**

Agree.

**Q5: To what extent do you agree with our proposals to expand the coverage of non-financial misconduct in FIT, COCON and COND?**

We agree and support the proposal to expand on and clarify the position of non-financial misconduct within FIT, COCON and COND. The decision to incorporate allegations of serious misconduct and criminal convictions will be advantageous for both firms who have clearer guidance and victims who may not have previously been supported. Getting a criminal conviction for serious misconduct can be extremely difficult due to the pressures in our prosecution and courts system, therefore this should not be considered the absolute metric in order for someone to be found falling short of the FIT, COCON and COND requirements.

**Q6: To what extent do you agree with our proposals on data reporting for firms with 250 or fewer employees, excluding Limited Scope SM&CR firms?**

We agree as it will not be too onerous to report employee numbers to the RegData platform.

**Q7: To what extent do you agree with our proposals on D&I strategies?**

We fully agree. A more consistent approach across financial services will ensure that transparency and accountability are easily assessed and analysed by both regulators and stakeholders.

Full transparency with D&I strategies will also allow employees to make more informed decisions during any job search they may undertake.

**Q8: To what extent do you agree with our proposals on targets?**

We support the proposal to have voluntary targets thus allowing firms increased flexibility. Self-targeting could be considered by some firms to be a loophole through which they can stall progress on D&I, however we note that the FCA has stated that they expect rationale for the targets chosen and that they must be both realistic and stretching.

**Q9: To what extent do you agree with the date of first submission and reporting frequency?**

We agree.

**Q10: To what extent do you agree with the list of demographic characteristics we propose to include in our regulatory return?**

Agree but we have concerns about the value add of the demographic characteristics in their current form, specifically the following.

**Disability**

In [2022](#) the government proposed requiring all large employers to report on the proportion of disabled people in their workforce. A response to the March 2022 Consultation paper was expected by June 2022, as of now the government have not yet published the findings of the consultation paper nor have they made any changes to the reporting requirements. The lack of urgency and follow through from the government likely echoes the sentiments of many firms towards disability.

According to various sources, the uptake on the voluntary reporting framework has been limited. In a CIPD poll, more than half of the firms surveyed stated they had no plans to adopt the framework. In this regard, having disability and long-term health as a mandatory demographic characteristic would be a huge step forward.

However, firms will need to invest in their culture and promote psychological safety in order to encourage their employees to feel comfortable declaring their disabilities or health conditions. Given that disability has often been overlooked as an area of D&I within firms, we are apprehensive that collecting this data will actually translate into meaningful advancements for employees and consumers alike. Accommodations required for disabilities are often unique to the situation and firms may struggle to implement the necessary changes whilst at the same time improving company culture.

We would like for the guidance for firms to be clear though, that while reporting for them is mandatory, employees are at liberty to choose if and when they want to disclose such personal medical information.

**SEB**

We welcome the inclusion of socio-economic background within the D&I proposal as this is a demographic characteristic that has been somewhat overlooked.

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We wanted to acknowledge that the Social Mobility Commission (SMC) guidance focuses on three key questions to enable firms to develop an informed strategy for improving social mobility. The FCA data reporting proposal however has shrunk this to a single question leading to concerns that the FCA data reporting will, in its current form, fall short of providing the necessary information.

The FCA propose to have the following options:

- Professional background
- Intermediate background
- Lower socio-economic background
- Other
- Prefer not to say
- No response.

We feel this is likely to obtain a higher response rate than the SMC approach of at least three questions, however, the options are flawed. For example, the current category specifications groups technical occupations such as electrician with those that are long term unemployed. In addition, the professional occupation category spans historically lower paid jobs such as teaching and historically higher paid roles such as medical practitioner.

We would be dubious of the true value add of this metric in its current form. Additionally, many people may not remember or have ever known the details of their main household earners occupation.

The SMC website gives guidance on additional questions such as type of schooling, free school meals eligibility & highest education of parents (although with a historically high degree of immigration these are also flawed measures for first and second generation groups). The combination of these questions could provide a clearer, more nuanced picture of a person's socio-economic background and we therefore encourage the FCA to re-think its approach in this area.

**Q11: To what extent do you agree that reporting should be mandatory for some demographic characteristics and voluntary for others?**

Somewhat. We agree that making all the characteristics mandatory would be extremely onerous for the firms that are not currently collecting the voluntary characteristics but would like for this to be reviewed in the future, subject to separate consultation, to incorporate the voluntary demographic characteristics into the mandatory section as there is a risk that the voluntary reporting may be seen as less important and that should not be the messaging we are putting forward.

**Q12: Do you think reporting should instead be mandatory for all demographic characteristics?**

We agree with the importance of the demographic characteristics and can see the benefit in them being mandatory however we feel that a phased approach would reduce the burden on firms whilst still promoting growth and progress in this area.

**Q13: To what extent do you agree with the list of inclusion questions we propose to include in our regulatory return?**

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We agree with the proposed inclusion questions, though the usual concern remains, if the firm culture is such that non-financial misconduct exists then it stands to reason the staff will not feel comfortable answering the inclusion questions honestly.

**Q14: To what extent do you agree with our proposals on disclosure?**

Agree.

**Q15: To what extent do you agree that disclosure should be mandatory for some demographic characteristics and voluntary for others?**

We agree, and as previous stated in question 11 this could be revisited in the future if there is reason to believe mandatory reporting and disclosure will be beneficial.

**Q16: Do you think disclosure should instead be mandatory for all demographic characteristics?**

We do not believe that there is sufficient evidence to suggest that there is significant value in making all demographic characteristics disclosure mandatory and as previously stated in Q11 & Q15, this could be revisited in the future if there is reason to believe mandatory reporting and disclosure will be beneficial.

**Q17: To what extent do you agree that a lack of D&I should be treated as a non-financial risk and addressed accordingly through a firm's governance structures?**

We agree that a lack of D&I should be considered a risk and in addition to being a concern for employees, we would also be concerned about firms with poor D&I track records interacting with customers who may face discrimination or poor service.

A good example of this D&I based risk would be the lack of remote working opportunities for disabled workers. Once the 2020 pandemic started affecting business, many firms realised that they would need to facilitate remote working which was costly and challenging. Had those firms had a proper D&I strategy in place that had relevant accommodations for remote work, then they would likely have coped with the pandemic more efficiently. In this case the non-financial risk did evolve into a financial risk.

**Q18: Do you have any comments on the cost benefit analysis?**

No comment.