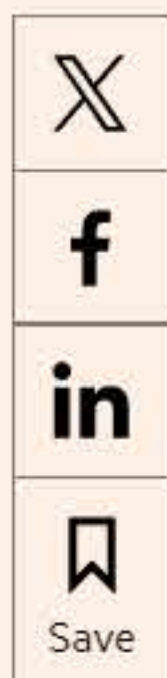


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Do not penalise politicians, UK regulator tells banks

FCA launched probe after Nigel Farage 'debanking' scandal



Coutts closure of Nigel Farage's account put banks treatment of politically exposed persons in the limelight © Getty Images

Akila Quinio and Josephine Cumbo in London JULY 18 2024

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The UK's financial regulator has told banks to make sure politicians and their families are "not treated unfairly" after a review conducted in the wake of Nigel Farage's "debanking" scandal found some lenders were "getting the balance wrong".

The Financial Conduct Authority said that "all firms could improve" the way they handle politically exposed persons (PEPs), a group of potentially higher-risk clients that can include politicians, senior civil servants and their relatives, as it published the findings of a widespread probe.

While it found that banks did not excessively apply due diligence checks, there is room for firms to improve the way they treat such customers, notably by giving staff better training and communicating more clearly when they are conducting additional checks.

Firms should also restrict who qualifies as a PEP to the tightest possible legal definition, and review their status "promptly once they leave public office", the regulator added.

"Most firms try to get it right but there is more they can do," the FCA said. "We're following up with those firms that were getting the balance wrong to ensure they make changes."

The probe comes after parliamentarians last year urged the FCA to review the way banks treat PEPs, who are subject to greater scrutiny under anti-money laundering rules because they are at a higher risk of corruption.

A scandal involving Reform party leader Nigel Farage's account closure with private bank Coutts, which is owned by NatWest, last July contributed to putting the treatment of PEPs by banks in the limelight.

Farage said he was "debanked" from the elite lender for his political views after obtaining a memo that showed Coutts had called him a "disingenuous grifter" whose views did not align with the bank's. Although an independent report later found Farage's account had predominantly been closed for commercial reasons, the scandal led to the toppling of NatWest boss Dame Alison Rose.

Other politicians have also flagged similar concerns, with former chancellor Jeremy Hunt telling the Financial Times last year that he had been [refused a bank account](#) by fintech Monzo.

A [separate FCA review](#) prompted by the Farage scandal last year found no evidence that politicians were being denied bank accounts because of their views.

Thursday's findings also come after rule changes in January softened how British politicians are treated by banks that meant UK politically exposed persons must be treated as "inherently lower risk" than overseas politicians.

The watchdog has called on the industry to share its views on the new guidance.

Harvey Knight, UK head of the financial services and regulatory group at law firm Withers said the move was an "encouraging step in the right direction" that would drive less "unnecessary expenditure" on due diligence.