

Business Plan & Budget

2022/23



Contents

03

Message from our
Chief Executive
and executive
summary

07

Our role

08

The LSB's
programme of
work for 2022/23

15

Our budget for
2022/23

1. Message from our Chief Executive and executive summary

Welcome to the Lending Standards Board's (LSB) 2022/23 Business Plan & Budget.

In writing my foreword to our Business Plan last year, I commented that we are all living through exceptional times. The same is true as we look ahead to 2022. The green shoots of recovery – from an economic, health and societal perspective – are welcome, but the lasting impacts of the pandemic on all areas of society are evident.

Whilst the easing of restrictions has driven a welcome increase in economic activity, there remain large sectors of the economy which were hit particularly hard by the pandemic and which still face challenges to their recovery. Optimism about the future is tempered by the immediate need to navigate the legacy of the pandemic; by the unprecedented financial stress that continues to result from the crisis; and by the cumulative impacts of a perfect storm of new challenges and risks which are gathering on the horizon. Rising inflation and tax costs, the cost-of-living crisis and, more widely, global economic and political volatility look certain to continue to impact over the course of 2022. The combination of these developments will manifest in further

Cross-sector collaboration beyond the financial services industry and a common understanding of the opportunities available to all sectors to protect individuals from fraud are key

strain on overall economic recovery. As a result, we anticipate that individuals and businesses, particularly those in vulnerable circumstances, will continue to face increasing pressures on their financial stability, and in some cases, on their financial viability over the coming 12 months.

The unprecedented increase in the level and sophistication of fraud and scams which we witnessed during the height of the pandemic also shows no signs of abating. Scams continue to evolve in nature and approach, as criminals exploit the weaknesses in sector and industry collaboration to tackle fraud, and continue to prey on consumers' fears and vulnerabilities. Cross-sector collaboration beyond the financial services industry and a common understanding of the opportunities available to all sectors to protect individuals from fraud are key to achieving a reduction in successful scams and avoiding the devastating impact of such crimes on consumers.

The pandemic directly contributed to an increase in the level, evolution and severity of vulnerabilities across both personal and business customers, as the unprecedented challenges to health and finances exacerbated existing vulnerabilities and created circumstances which generated new vulnerabilities. The mounting pressure on both household and business finances which we have witnessed in early 2022, along with ongoing fragility of global economic recovery and the outbreak of severe conflict in eastern Europe, will undoubtedly continue to strain customers' financial resilience as events on the global stage, and closer to home, directly impact on household and everyday living expenses. Over the coming year, we therefore anticipate a further evolution and increasing scale of customer vulnerabilities, financial difficulty and the risk of consumer exclusion that financial services firms will need to be equipped to respond to proactively and sensitively. This document sets out how the LSB will continue its [Mission and Strategy](#) to drive fair customer outcomes within financial services through independent oversight in the year ahead.

In taking forward this Mission and Strategy, we plan and deploy our resources to focus most heavily on areas of highest risk and potential detriment to customers. This vital work to protect fair outcomes for personal and business customers must continue as we navigate through our emergence from the pandemic.



Our key deliverables and work streams for the coming year have been fundamentally shaped by the residual impacts of the pandemic on the UK economy, our registered firms and their customers, and by the emerging risks which we anticipate will impact most heavily on personal and business customers of financial services firms. Our activity will help our registered firms to assure themselves, their customers and their stakeholders, of their overall compliance with our Standards and Codes, and that they are actively driving the protection of, and better outcomes for, their customers.

Executive summary of Business

Plan & Budget 2022/23

In our Mission and Strategy for the 2020s, we set out four strategic priorities for the LSB for the coming decade, namely to:

- set **high standards** to reflect what we learn from our oversight work and to respond to the new opportunities and challenges of the market, including the growth of fintech;
- deliver **independent oversight** to provide assurance that standards are being met, to highlight good practice and to ensure that weaknesses are remedied;
- ensure **wider reach** by taking a thought leadership role and by disseminating good practice through our publications, training and research and by expanding our market reach; and
- raise **awareness** of the LSB's work so that new

entrant firms embrace our Standards and Codes and so that our findings are increasingly influential within participating firms and among organisations representing and supporting consumers.

Later in this document we set out further detail on the activities we shall undertake under each of our strategic priorities and a timeline of our major activities is included on page 17. In summary, we shall:

- undertake a programme of end-to-end compliance reviews focussed on the Standards of Lending Practice for business customers to understand firms' treatment of their business customers and to ensure that fair customer outcomes have been prioritised and achieved for SMEs in light of the impact of the pandemic on business lending;
- undertake a significant project focusing on the identification, treatment and evolving needs of vulnerable customers spanning the personal and business Standards and the Contingent Reimbursement Model Code (the CRM Code). The outputs of this project will inform whether updates to the Standards or Code, or the accompanying guidance documents, are required, in addition to insight and thought leadership work which will be shared with registered firms;
- undertake an internal review of the Standards of Lending Practice for personal customers against the backdrop of the regulatory roadmap, including the Financial Conduct Authority's (FCA) requirements for the new Consumer Duty. The review will consider how we ensure that the Standards reflect the developments of the regulatory roadmap and the Duty, and thereby ensure that, by adhering to the Standards, our registered firms are able to evidence, and assure themselves of, compliance with regulation and the Consumer Duty as applicable to personal lending;
- introduce a programme of cyclical compliance reviews of firms to ensure that all registered firms will be assessed over a regular cycle of between three and four years for their adherence to the end-to-end customer journey as set out in the Standards. This programme of work will initially focus on firms registered for the personal Standards and will be supported by Insight activity to aid registered firms in the implementation and embedding of learnings from our oversight work, or any changes to the Standards;
- continue to implement the recommendations from our review of the CRM Code for Authorised Push Payment (APP) scams conducted in 2020/21 and our 2021 Call for Input to ensure that the Code continues to evolve and provide increased protections for customers.

Key work streams for the LSB include our work with industry and stakeholders to formalise success measures for the Code; the review of the balance of responsibilities between sending and receiving firms within the Code; revisions to the Code's wording based on the evidence gathered from our reviews; and engagement with the Payment Systems Regulator (PSR) as it sets out its next steps in relation to APP scams;

- develop new research in respect of the effective warnings provisions of the CRM Code, the output of which will be made available for signatory firms. We will also continue to share best practice and insights in relation to the Code and its implementation;
- work closely with UK Finance, the FCA and HM Treasury to progress the implementation of our recommendations from our review of the Access to Banking Standard conducted in 2021 on the future of the Standard and the ongoing regulatory oversight of bank branch closures;
- continue to share insights and best practice via our Emerging Risk Forum, training and roundtables, and research and thought pieces on topical and risk areas of importance to our registered firms;
- continue to expand the coverage of the LSB's Standards and Codes across the financial services market by working with new firms, and those firms which are adhering to the principles of our Standards and Codes, to increase sign-up to the LSB framework; and
- set out the measurements of success of the LSB as an organisation, and our Standards and Codes, to demonstrate the impact and reach of our work.

We have budgeted expenditure of £3.5 million to deliver this programme of work, compared with a forecast spend of £2.7 million for 2021/22. We explain our costs and their comparison year-on-year in the concluding section of this document.

Innovation and transformation in financial services

The financial services market, and the landscape around it, are ones of consistent and rapid evolution. Financial services firms continue to face a remarkable period of change, driven by extreme forces in the external environment – the pandemic; the UK's departure from the

European Union; changes in financial services regulation; inflation and cost of living pressures; technological and environmental considerations; and the volatility of the global economic and political landscape, to name but a few.

The pandemic alone has driven innovation and change at an astonishing speed. This pace of change is one which the financial services industry must continue to keep ahead of, requiring a combination of flexibility, adaptability and proactivity to respond to the challenges that the industry and its customers currently face, and those which are evident on the horizon.

Firms also need to remain alive to customers' changing expectations of their financial services providers. It is clear that the pandemic, and the support measures put in place as a result of the crisis, have shaped these expectations further, setting a new benchmark for how customers wish to interact with their financial services providers; what protections they expect to be in place against economic crime and fraud; and how they expect their financial services providers to evolve rapidly to meet their needs as their own life and business circumstances change.

The LSB's Mission and Strategy have remained constant during the pandemic, but we too recognise that we must be able to respond swiftly and flexibly to the changing nature of customer needs and proactively deliver a framework in which fair customer outcomes can be achieved against a backdrop of evolving external forces and innovation.

We must be able to respond swiftly and flexibly to the changing nature of customer needs and proactively deliver a framework in which fair customer outcomes can be achieved against a backdrop of evolving external forces and innovation



As the primary independent oversight body within the banking and lending industry, we are committed to ensuring that we not only keep pace with the evolution of the market, but that we are aware of emerging risks and how these impact the needs of customers. To this end, this year we will be undertaking analysis of the financial services eco-system to test our market coverage; to understand where our reach could be extended within new firms, products or services; and to understand new risk areas or underserved sectors where our independence, rigor and expertise can add value by increasing customer protections and driving up standards.

How we measure our success in driving fair customer outcomes is also a key work stream for the LSB this year. As detailed later in this document, we will address how we intend to measure both our success as an organisation and the success of our Standards and Codes, in order to hold ourselves accountable and to demonstrate the positive impact of our work.

We also remain mindful of the lessons we have learned from the pandemic and the impact of those lessons on the LSB's culture and working practices. We discuss later how we have adapted our model of working and our future expansion and development of the LSB team in order to strengthen the culture, capacity and capability of the LSB for future years.

The 'new abnormal'

We are emerging from the pandemic, but

uncertainty about the future and the ripple effect of the crisis still remain at an all-time high. For the great majority of people, what is about to unfold in the form of new challenges is unlikely to mean a return to normal for some time to come. As we all adapt to what is therefore the 'new abnormal', it has never been more important for our registered firms to continue to support their personal and business customers as we navigate the post-pandemic world and prepare to address the next set of challenges on the horizon.

By committing to adhere to our Standards and Codes and embedding them within their organisations, our registered firms agree to uphold the highest of standards in the treatment of their customers. We, in turn, will work with our registered firms to ensure that those high standards and customer protections are consistently maintained. We have high expectations of our registered firms, as we do of ourselves as the primary independent oversight body in the financial services industry.

I am very grateful to everyone in the LSB for their hard work and the dedication they have demonstrated in driving forward the deliverables and strategic aims of the LSB during the disruption of the past two years. I would like to thank them all for their efforts. I look forward to working with our team, our registered firms, our stakeholders and the wider industry during 2022/23 to continue to promote the highest standards and best practice in financial services, and in turn support the building of further trust and integrity in the financial services industry.

Emma Lovell, Chief Executive

It has never been more important for our registered firms to continue to support their personal and business customers as we navigate the post-pandemic world and prepare to address the next set of challenges on the horizon

2. Our role

The LSB is the primary independent oversight body for the banking and lending industry. Our mission is to drive fair customer outcomes within financial services through independent oversight of the Standards and Codes for which we are responsible.

We take great care to ensure that our Standards and Codes provide protections for personal and business customers of financial services firms. Where statutory regulation exists, we set and oversee best practice standards that complement the work of statutory regulators, rather than duplicate it. We maintain an effective, collaborative relationship with the FCA, PSR, Financial Ombudsman Service (FOS), HM Treasury and other key industry stakeholders such as UK Finance, the Building Societies Association, the Business Banking Resolution Service, the Financial Services Compensation Scheme and the British Business Bank, together with key groups representing consumers and SMEs.

An updated Memorandum of Understanding with the FCA, in the final stages of sign off, also clearly sets out how the LSB and FCA interact, collaborate, exchange information and avoid duplication of oversight or effort in areas which span both the regulator's and the LSB's remits.

The value of self-regulation

Adherence to the LSB's Standards and Codes is a clear indication to customers and stakeholders alike that a registered firm is committed to best practice in the treatment of its personal and business customers. A firm's willingness to implement best practice standards, such as the Standards of Lending Practice for business customers, in areas that are unregulated, or to go beyond its statutory obligations in the treatment of customers, is vitally important in building trust and integrity in the financial services industry.

Due to our engagement with registered firms and stakeholders, we are in a unique position to understand the challenges faced by the industry. This, together with our agility, enables us to effectively identify areas of risk in the industry and to swiftly adapt our current Standards, Codes and supporting guidance documents to provide insights and best practice that support the delivery of good customer outcomes

and customer protections at all times.

The LSB's Standards and Codes cover the following areas:

Standards of Lending Practice for personal and business customers

- These Standards set the benchmark for good lending practice in the UK, outlining the way that our registered firms are expected to deal with their personal and business customers throughout the entire product life cycle, from first engagement through to collections and recoveries.
- The LSB is the only standard setting and oversight body for SME lending in the UK. Our Standards of Lending Practice for business customers, which were first introduced in 2017 and have been formally recognised by the FCA, provide protection for SMEs with a turnover of up to £25 million.
- Sitting alongside these is a separate set of Standards focusing on the provision of asset finance products to SMEs with a turnover of up to £6.5m.
- The Standards of Lending Practice for personal customers, implemented in 2016, provide protections for personal customers in relation to overdraft, credit card, chargecard and unsecured loan products and services. The Standards also incorporate four information remedies, for which the LSB is responsible for oversight, arising from the FCA's Credit Card Market Study.

Contingent Reimbursement Model Code for Authorised Push Payment Scams (the CRM Code)

- The introduction of the CRM Code in May 2019 marked a major milestone in delivering increased protection for consumers who have fallen victim to an APP scam. The Code was drafted by industry and consumer representatives, with the LSB assuming oversight of it on 1 July 2019.
- The Code sets out consumer protection standards to detect, prevent and respond to APP scams and provides a commitment to reimburse customers who lose money where they were not to blame for the success of a scam.

Access to Banking Standard

- The LSB assumed oversight of the Access to Banking Standard in 2017.

We oversee firms' adherence to the Standard, which aims to help minimise the impact of bank branch on customers and local communities.

- The Standard applies once the decision to close a branch has been taken and requires banks to consider customers who may be in vulnerable circumstances or require additional assistance in accessing alternative banking services.
- Following our review of the Standard in 2021, we are working with UK Finance and with the FCA to undertake an orderly winddown of the LSB's oversight of the Standard in due course, with the FCA becoming the sole regulator for oversight of branch closures and changes in branch service provision in future.

3. The LSB's programme of work for 2022/23

a. Setting high standards

The LSB seeks to ensure that the Standards of Lending Practice and the other codes of practice which fall under our remit keep pace with the changing financial services market and with rising customer expectations. We also ensure that our Standards and Codes evolve to reflect the findings of our own oversight work and our insight and horizon-scanning of the emerging risks within the industry. To this end, we have scheduled a number of updates and reviews of our Standards and Codes during the coming year.

The Standards of Lending Practice

The LSB has a wealth of experience in providing regulatory oversight and governance for customer outcomes-focused standards and codes. Our expertise and our robust and independent approach have allowed the LSB, and its registered firms, to demonstrate the value of committing to fair customer outcomes, that go beyond the requirements of statutory regulation, by registration to our Standards and Codes.

The new Consumer Duty represents one of the largest and most wide-ranging changes to financial services conduct regulation by the FCA. Our Standards are lending specific,

demonstrating a clear commitment by our registered firms to prioritising fair outcomes and protections for their customers. We therefore believe that they will support the effort of the FCA to improve customer outcomes via the introduction of the new Consumer Duty.

We will draw upon our expertise and experience to undertake a review of the Standards of Lending Practice for personal customers against the backdrop of the FCA's requirements for the Duty, as well as the wider regulatory roadmap. Our review will consider whether updates to the Standards are required to reflect the development of the regulatory roadmap and the Consumer Duty and to ensure that the Standards remain effective and continue to provide the right framework to deliver fair customer outcomes alongside the requirements of the Duty. We will also ensure that our review, and any consequent updates to the Standards themselves or the accompanying Information for Practitioners, will place our registered firms in a strong position to evidence, and assure themselves of, compliance with the Consumer Duty as applicable to personal lending.

We will also conduct an internal review of the Standards of Lending Practice for business customers to ensure that the Standards are reflective of the clear regulatory and political impetus around environmental and net zero considerations within lending and financial services. We will also keep these Standards under review in the light of wider developments in the business lending market and the regulatory roadmap, and any findings from our planned oversight work around the business Standards during 2022/23.

Customer vulnerability

The vulnerability of customers, both personal and business, continues to be an area of emphasis and priority for the financial services industry and the LSB. During this year, we will be undertaking a significant project across the personal and business Standards and the CRM Code that will focus on the identification and treatment of vulnerable customers, and how the level and nature of vulnerability has evolved. The outputs of this project will inform whether updates to the Standards or Code, or the accompanying guidance documents, are required. They will also feed into our Insight and thought leadership work which will be shared with registered firms to ensure that they are prioritising support for, and protection of, vulnerable customers.

The Contingent Reimbursement Model Code for Authorised Push Payment Scams (the CRM Code)

The CRM Code is vital in the fight against financial fraud, as it constitutes the only current protection for customers which specifically addresses the prevention, detection and response to APP scams.

Outcomes for customers have demonstrably improved since the introduction of the Code in 2019 and its oversight by the LSB, and we recognise the work of signatory firms and their commitment to adhere to the Code. However, there is more work to be done, and we look forward to working with signatory firms, regulators, stakeholders and consumer and SME groups as we progress the implementation of our 2020 review recommendations and the outputs of our 2021 Call for Input. Key work streams which we shall progress during the coming year include our work with industry and stakeholders to formalise the success measures for the Code; the review of the balance of responsibilities between sending and receiving firms within the Code; and revisions to the Code's wording based on the evidence gathered from our reviews to support the consistent application of the Code.

We will also be actively involved in giving effect to the outputs of the PSR's wider consultation around APP scams as the Regulator sets out its next steps during 2022.

The Access to Banking Standard

In late 2021, we completed our review of the Access to Banking Standard. This considered how the Standard was operating within the wider context of access to banking services and in light of the forthcoming access to cash legislation. Our review concluded that, whilst there has been widespread support for the objectives of the Standard and the work of the LSB and firms over the past four years, the challenges for customers regarding branch closures go beyond the communication, information and support remedies that fall within the scope of the Standard. Following the publication of guidance in September 2020, the FCA is now also providing oversight of branch closures for all UK branch providers.

As a result, our recommendations to both UK Finance, as owners of the Standard, and to the FCA set out an orderly winddown of the LSB's oversight of the Standard, with the FCA becoming the sole regulator for oversight of branch closures

and changes in branch service provision. The LSB believes that the best outcome for customers will now be achieved by the FCA taking forward its work, continuing its supervisory activity, and developing further rules and guidance that align with the FCA's principles and which build upon the work of industry and the LSB. We will therefore proceed to work closely with UK Finance, signatory firms, the FCA and HM Treasury to implement these recommendations over the coming 12 months.

New standards and codes

Throughout the year, we will also be actively considering the need for development of new Standards covering new areas of the financial services market where our oversight, expertise and rigor can demonstrably deliver better outcomes for personal and business customers by driving up standards and best practice within firms.

The CRM Code is the only current protection for customers which specifically addresses the prevention, detection and response to APP scams

b. Delivering independent oversight

Rigorous, independent oversight is the LSB's core competence and contribution to improving outcomes for customers of financial services. In planning our resources and oversight work for the year, we aim to ensure that the LSB is provided with assurance about compliance with our Standards and Codes, both at a system-wide level and in individual participating firms. This will be informed by our analysis of key areas of risk to customer outcomes.

Our 2022/23 programme of oversight work will include the implementation of cyclical reviews and thematic, system-wide reviews, as well as following up the oversight work that we



completed in the previous year to ensure that firms have implemented the recommendations and actions we required of them.

In addition to issuing individual outcome reports to each firm, we will continue to publish reports summarising the findings of our reviews at industry-level to draw out good practice and to identify weaknesses in need of remedy from which all firms and the wider industry can learn.

Oversight reviews

Our thematic reviews assess compliance with the Standards and Codes system-wide in areas of particular risk or challenge.

Assurance of adherence to the Standards of Lending Practice for business customers will be a key area of focus during 2022/23, given the impact of the pandemic on small and medium sized businesses. We will undertake a programme of end-to-end compliance reviews focussed on the business Standards to understand firms' treatment of their business customers and to ensure that fair customer outcomes have been prioritised and achieved for SMEs in light of the impact of the pandemic on business lending.

The reviews of the business Standards will encompass outcomes under mainstream and commercial lending; the Government support schemes implemented during the pandemic, including the Coronavirus Business Interruption Loan Scheme and the Bouce Back Loan

Scheme; and the transition of customers from LIBOR completed at the end of 2021. Our reviews will enable us to gain assurance that the outcomes and ongoing treatment of customers set out in the business Standards, which are FCA-recognised, are being achieved across the customer journey.

In the coming year, we will also continue to undertake reviews of firms' branch closure programmes in line with the Access to Banking Standard. Once the timetable for transition of full oversight of branch closures to the FCA has been formally set and agreed, we will also undertake comprehensive close-out reviews of each signatory firm to the Access to Banking Standard to ensure an orderly handover to the FCA.

Following completion of previous reviews on the CRM Code, we began our latest assessment of firms' adherence to the Code during March 2022. This work will continue into the first quarter of this business plan. This review will be an opportunity for us to understand how previous actions and recommendations from our reviews of the effective warnings and reimbursement provisions of the Code have been implemented and embedded.

Cyclical reviews of firms

We will introduce a programme of cyclical reviews, starting with firms registered for the personal Standards. This will involve a regular cycle, over a three to four year period, of reviews of the end-to-end customer journey as set out in the Standards. By doing so, we will ensure that those areas not captured by thematic reviews continue to receive focus and that firms are meeting the required standards and best practice in delivering their services.

It is then our intention to roll-out cyclical reviews in future years to assess each firm's compliance across all other Standards and Codes. Reviews set to a specific cadence and regularity will ensure that firms have up-to-date feedback on their performance and adherence to our Standards and Codes.

Annual self-attestation process

Linked to our implementation of cyclical reviews, we will continue with our annual self-attestation process to inform our view of overall compliance with our Standards and Codes and to inform our risk analysis and prioritisation of areas for review in future. By requiring the attestation process to be signed off at senior executive level within firms, the process enables firms' Boards and senior executives to gain assurance each year of their firm's overall adherence to, and embedding of, the Standards and Codes.

Review of newly registered firms

During 2021/22, we welcomed three new firms into interim registration, a stage when due diligence of adherence against the relevant Standard or Code is undertaken to ensure compliance ahead of the firm achieving full registration. Two of the three firms have now entered full registration. Within 18 months of full registration, we will undertake an end-to-end compliance review of each new firm to ensure the highest standards are maintained.

c. Reaching wider

The LSB's Mission and Strategy sets out that the LSB will be a thought leader within the industry. We do this by building on the evidence delivered by our oversight and policy work and disseminate our findings across our registered firms to raise standards of service delivery for both personal and business customers. We ensure that our registered firms derive value from their registration with the LSB, both in terms of the rigor and independence of our oversight work, and access to the latest insights and training on service delivery and outcomes for customers.

We also support the raising of standards across the wider industry by extending our reach and insights beyond our participating firms through actively encouraging new firms to register with us.

To drive our strategic aim of reaching wider, during 2022/23 we shall:

- deliver insights and training on the implementation and embedding of any changes to the Standards of Lending Practice for personal and business customers and the CRM Code;
- run roundtables and workshops to disseminate the findings of LSB's oversight work across the business Standards, the personal Standards and the CRM Code. Through these events, we will share good practice, highlight areas for improvement by firms and reflect risk areas and topical subjects for firms in order to raise industry standards;
- introduce business-specific Emerging Risk Forums to highlight challenges faced by firms in the business sector and how they are being overcome through sharing insight and experiences;
- undertake research projects in order to provide further insight and learnings for registered firms to assist in driving better customer outcomes, including the development of research on

effective warnings under the CRM Code;

- publish articles and thought leadership pieces that provide detailed insight and best practice and highlight areas of risk for our registered firms and the wider industry;
- provide bespoke training sessions for registered firms on specific areas of our Standards and Codes and wider matters, such as vulnerability. Call calibration sessions have been made available to all signatory firms to the CRM Code to support their interactions with customers and we will continue with these additional measures of support for firms during the coming year to achieve better customer outcomes;
- continue our roundtable events which bring together business and consumer representatives respectively to discuss topical and risk areas impacting personal and business customers and to provide valuable feedback on these issues to the LSB;
- continue to look at emerging risks facing the industry and share insight on risks and opportunities through blogs, podcasts and other channels, including the LSBulletin newsletter;
- work with registered firms to promote the work of the LSB and share the benefits of registration for both the firm and customers;
- identify existing registered firms which would benefit from registering for other Standards and Codes to evidence their commitment to consumer protection and to drive up standards across their businesses;
- identify and support new firms to sign up to our Standards and Codes in order to increase market coverage. We shall focus on those firms which have not yet committed to the Standards; those which are adhering to the principles and spirit behind our Standards and Codes but without formal registration to the LSB; and those which have a significant share of relevant markets or which are promoting innovative approaches to the delivery of financial services. This will include fintech firms and those firms with a focus on a 'digital-only' strategy and customer journey; and
- continue our role as a constructive participant in public discourse about the services we oversee, by building on our established social media and wider media presence and by attending external roundtables and other events.

d. Raising awareness

The LSB is committed to raising its profile to ensure that we are as influential as possible in driving fair outcomes for customers. We influence thinking, actively engage in wider industry initiatives and debates, and help to drive change through our independent and informed work with many key stakeholders in the industry.

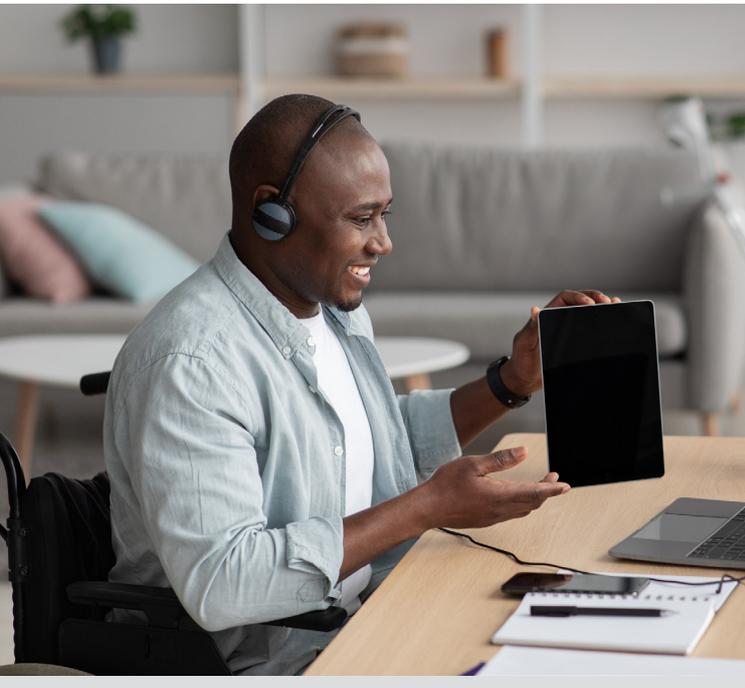
In support of our strategic aim to increase the profile of the LSB and raise awareness of our work further, in 2022/23 we shall:

- build further upon the strong relationships which we have with our registered firms. We appreciate the engagement between the LSB and the Boards and senior executive teams at our registered firms to share market insights and to promote the value in ongoing and active engagement with the LSB's work in support of the firm's overall strategy and drive to achieve fair customer outcomes. We will continue this level of engagement, in addition to our annual programme of oversight relationship meetings, to ensure that firms' senior teams value the assurance about quality of service to their firm's customers which the LSB's work provides;
- underpin our key role in upholding the highest standards in customer outcomes across the financial services industry by continuing to engage widely with non-participating firms as part of our strategic relationships strategy. We are delighted that we welcomed three new firms into interim registration in the past year, and we are pleased to be working with new firms enquiring about registration with the LSB and the value in adherence to our Standards and Codes. The more firms that sign up to our Standards and Codes, the further our reach can extend to support the highest possible standards, increase customer protections and increase overall confidence and trust in the financial services industry;
- work with consumer and business representative groups to extend awareness of the LSB's activities; provide assurance to external stakeholders that standards and customer outcomes are prioritised and achieved by our registered firms; and share our rich source of insights into customer outcomes and service delivery by our registered firms;
- undertake analysis of the areas of most relevance to the LSB's remit within the financial services eco-system to inform where the LSB's

reach could be extended in new firms and new products or services. This work will also test our current market coverage and its impact and inform our understanding of the underserved sectors where voluntary regulation and the LSB's independence and rigor can add value to driving up standards and outcomes for customers;

- continue to use our established media profile and channels to proactively raise awareness of the LSB, including our role as an independent oversight body and the Standards and Codes for which we are responsible; and to support cross-sector and industry initiatives, where appropriate, in areas covered by our remit; and
- develop a public affairs function within the LSB, to increase awareness of our work and the commitment of our registered firms to customer protections and outcomes amongst Government, policy-makers and parliamentarians. Our reach is extensive and our role means that we can provide an independent, informed and proportionate view of challenges, risks and trends impacting financial services, grounded in our work and the standards which we uphold.

The more firms that sign up to our Standards and Codes, the further our reach can extend to support the highest possible standards, increase customer protections and increase overall confidence and trust in the financial services industry



e. Our people, governance and operations

The LSB team

Throughout the disruption we have collectively faced over the past two years, the LSB team has continued to demonstrate resilience, commitment and professionalism in rising to the challenges we faced and driving forward the LSB to achieve its priorities.

Living and breathing the spirit and principles which underpin our Standards and Codes is vitally important for our registered firms to ensure that personal and business customers continue to receive the expected levels of service, support and fair outcomes from their financial services providers. The same is equally true of the LSB's people.

Central to our work is the LSB's Mission and Strategy. Our team is driven, dedicated and consistently demonstrates a deep commitment to ensuring that, by working together in furtherance of our Mission and Strategy, customer outcomes and protections remain at the centre of everything we do.

In turn, we are committed to continuing to develop the skills and experience of all those people who work at the LSB so that the team is versatile, outward-looking and empowered to continue to

make a real difference on behalf of consumers and customers of financial services firms.

Over the coming year, we will be gradually expanding the LSB team with five new roles across our Compliance, Policy and Insight functions. This expansion reflects our increasing work across our Standards and Codes and will strengthen our capacity and capabilities for the future.

In support of the development of and support for our enlarged team, in 2022/23 we will be undertaking a number of work streams:

Hybrid working

As with all businesses, the pandemic drove a sharp focus on our working practices and our adaptation to more remote and flexible working practices. The LSB is committed to supporting a positive work-life balance for our team and striking the right balance between flexibility of working arrangements and ensuring that our strategic and operational needs continue to be met.

We believe that it is important for our people to spend time together physically as a team, to underpin our collaborative 'one-team' approach and to enhance and build upon our culture, and that this can be balanced with a more flexible approach to working arrangements which are split between our office and a home location. Our new working arrangements will therefore form a hybrid model.

We will support our people who wish to work more flexibly with the technology and the tools to do so, and at the same time retain our London office to maintain a mix of an office and home-based approach. We will also be moving the LSB's office to a new London location over the summer 2022 at the end of our current lease to support a more flexible approach to our office requirements and a more collaborative, innovative office environment for our team.

This hybrid approach will also continue to apply to the ways in which we conduct oversight work with registered firms, with firm reviews being conducted via a blend of a remote and on-site model.

People and culture strategy

We will be continuing our work during 2022/23 to review, refine, and embed the LSB's values, behaviours and culture over the coming year. As we embed our new hybrid way of working, we will also monitor how our culture continues to evolve as we adapt to the 'new abnormal'.

A key activity during the year will be to update our organisational values and ensure that they link strongly to the outcomes we deliver and how we measure the achievement of our overall mission. This work will link to our induction, performance management, remuneration and benefits packages, and training and development processes to ensure that we have an up-to-date and enhanced culture framework underpinning our Mission and Strategy.

We will continue with our people surveys at regular intervals during the year, with a strong focus on the ongoing development of our culture and our working arrangements post-pandemic. Having introduced a number of wellbeing initiatives for our team throughout the past two years, we will be continuing with a diverse range of activities and support measures for our team to ensure that we are prioritising and supporting their health and physical and mental wellbeing.

Training and development

We will continue our focus on staff training and personal development as part of our performance management framework. Whilst the LSB team is expanding during 2022/23, we remain a small team, meaning that we can offer unrivalled opportunities for our people to gain a depth of knowledge of the financial services industry, working across a broad range of firms and our different Standards and Codes and cross-functionally across the LSB teams. In bringing a sharp focus on our people and culture strategy this year, we will be looking closely at the personal and professional development support that we can offer our team members so that they feel empowered to develop and focus their skill sets and knowledge to the benefit of their future careers and our registered firms.

Diversity and inclusion

The drive to improve diversity and inclusion in financial services firms so they better represent the customers they serve is a continuing priority for firms and regulators alike.

The LSB also has a role to play - we must continue to reflect a diverse and inclusive approach, both in terms of our own team and Board and their approach to diversity and inclusion, and also in terms of our understanding and reflection of the needs of the diverse range of customers of financial services whom our Standards and Codes protect.

Our work on diversity and inclusion this year will feed not only into our own people and culture strategy, but also how we continue to ensure that our Standards and Codes reflect wide-ranging customer needs and the lived experiences and inputs of a diverse range of customers.

Recruitment of a new Chair and Board member

The term of our current Chair, Chris Pond, finishes at the end of March 2023. We will therefore be recruiting for our new Chair during the first half of 2022/23, to enable a smooth transition process from Chris to his successor before the end of the business year.

Alongside our Chair recruitment, we are also in the process of seeking a new Non-Executive Director to join our Board in view of the cycle of Board director terms over the course of the coming year.

We must continue to reflect a diverse and inclusive approach, both in terms of our own team and Board and their approach to diversity and inclusion, and also in terms of our understanding and reflection of the needs of the diverse range of customers of financial services whom our Standards and Codes protect

Our accountability and measuring our success

Over the course of 2022/23, we will develop a framework that measures our progress against our strategic aims and demonstrates the value that self-regulation, and specifically the LSB and its Standards and Codes, brings to both personal and business customer outcomes. The framework will set out how we will measure both our success and Key Performance Indicators as an organisation, and the success of our Standards and Codes, in driving up standards and positively improving customer outcomes across financial services.

In addition to providing updates to our stakeholders as our work progresses, we will also commission a second review of firms' perceptions of the LSB and publish key insights from that report.

Our transparency will provide better accountability and demonstration of the positive impact of the LSB's work, and will support the development of our future strategy so we can measure and build further upon our own impact and the protections offered to customers of our registered firms.

4. Our budget for 2022/23

In setting our annual budget, the following are key considerations:

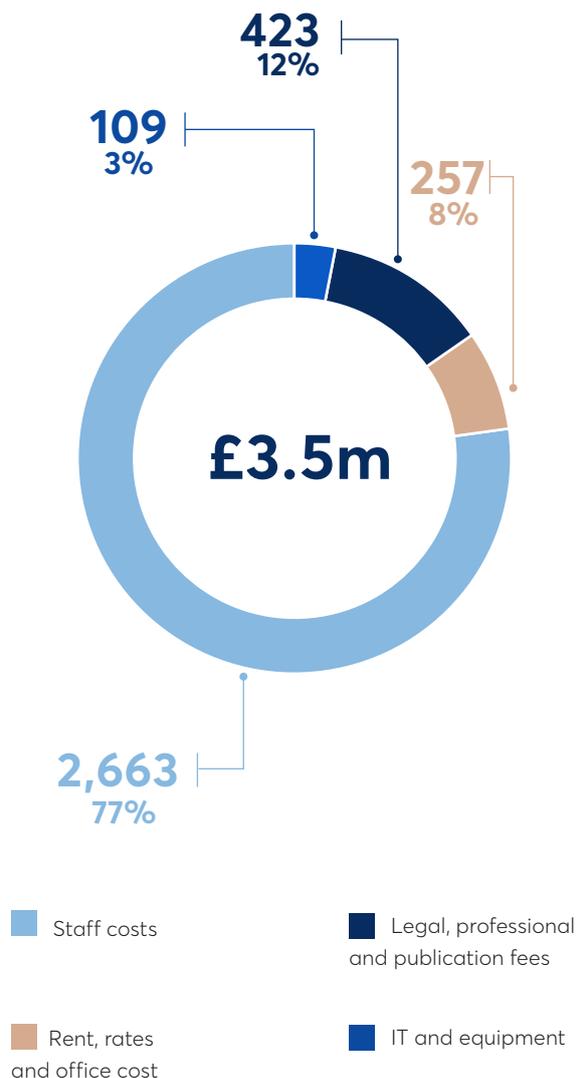
- ensuring the budget fully takes account of the Mission and Strategy of the LSB;
- ensuring that priorities and deliverables are fully aligned with customer outcomes;
- understanding the resource requirement to enable key deliverables;
- understanding the costs of delivering priorities by each Standard and Code we oversee;
- ensuring a cost-efficient approach;
- covering the operating costs of the LSB fully, as a not-for-profit organisation; and
- ensuring fairness and transparency in fee setting for our registered firms.

In an effort to mitigate fee increases for our registered firms this year, we have taken the decision to utilise a proportion of our reserves to fund some of our professional fees, research and recruitment costs. The surplus from ordinary activities would be £19k, however after utilising reserves, we will recognise a deficit of (£144k) for 2022/23 (2021/22 forecast: surplus of £287k). The funding requirement is analysed in more detail below.

Funding Requirement

The LSB's budget for total administrative costs is £3.5 million in 2022/23. Figure 1 details the funding requirement by expenditure type.

Figure 1 - funding requirement by expenditure type totalling £3.5 million



Staff costs

The LSB has 22 members of staff with plans to expand the team slightly in 2022/23. Staff costs are budgeted to be 77% of administrative costs of the organisation (although a portion of recruitment fees will be funded by utilising reserves). In addition, there will be investment in the people and culture strategy and supporting processes this year to underpin the ongoing training and development of our team.

Legal, professional and publications fees

In 2022/23 we are budgeting to spend £423k on legal, professional and publications fees. In order to mitigate fee increases, £115k of professional fees in relation to research projects will be funded by utilising reserves.

The LSB will continue an ongoing programme of internal audit of risk to ensure optimal risk management, governance and control structures are maintained in line with our strategic aims. Our external risk audit and assurance provider is Grant Thornton.

Our strategic aim of continuing to raise awareness of the LSB will see us invest further in our communications and public affairs function this year. As part of setting high standards and increasing the impact of our work, we will continue to share insights and best practice with our registered firms via the Emerging Risk Forums (including our new business focussed Forum), other training and roundtables, and our research and thought pieces.

Rent, rates and office costs

Rent, rates and office costs are budgeted to be £257k. The LSB will move to new, more flexible office premises after the lease extension for our existing premises ends this year. This has been assessed as the most cost-effective and appropriate option for the LSB moving forwards.

In addition, venue hire fees and travel and subsistence costs have been budgeted to increase in the start of a steady return to pre-pandemic levels.

Income

Total income is budgeted to be £3.3 million in 2022/23.

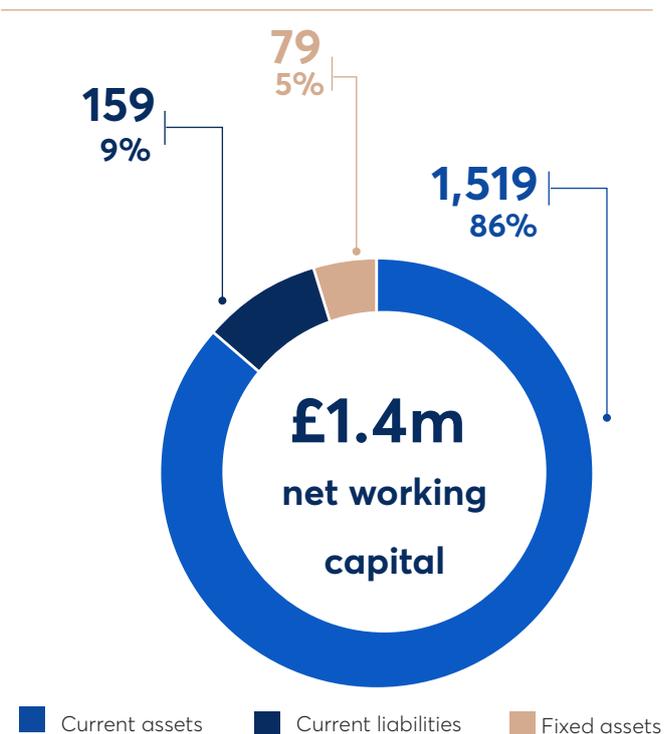
Our fees reflect the resources committed by the LSB to each of the Standards and Codes we oversee, and we have sought to mitigate fee increases as far as possible as we maintain a cost recovery model with fees reflective of the planned deliverables. We have utilised reserves this year to fund a portion of our professional fees in relation to research projects and recruitment fees as we expand the team by a modest number.

Our business development strategy and planned market research for 2022/23 will look for further opportunities to drive fairer customer outcomes through expanding market coverage and therefore diversifying our funding sources.

Balance sheet and reserves

Figure 2 details the balance sheet position budgeted at the end of 2022/23. Cash represents 98% of current assets and we are budgeting that we will close 2022/23 with a cash balance of £1.5 million.

Figure 2 - balance sheet closing position 2022/23



The LSB's reserves policy has been set taking a risk-based approach, at a level to cover costs in the event of closure of the organisation plus a small contingency amount. The LSB's opening reserves for the Budget year 2022/23 are forecast to be £1.6 million. After utilising a proportion of accumulated reserves and realising a deficit of (£144k) for the year, we are budgeting to close the year with reserves of £1.4 million.

A summary of our deliverables for 2022/23

Q1	Q2	Q3	Q4
<p>End to end compliance review – CRM Code</p> <p>CRM Code and Practitioner guide update</p> <p>Policy review – personal Standards against regulatory landscape (incl Consumer Duty)</p> <p>Access to Banking closure programme</p> <p>Emerging Risk Forum - personal Standards</p>	<p>End to end compliance review – business Standards</p> <p>CRM Code and Practitioner guide update</p> <p>Vulnerability project – Compliance review – all Standards and CRM Code</p> <p>Access to Banking closure programme</p> <p>Emerging Risk Forum - business Standards</p>	<p>End to end compliance review – business Standards</p> <p>Update Information for Practitioners – business Standards</p> <p>Cyclical compliance reviews – personal Standards</p> <p>Access to Banking closure programme</p> <p>Self attestation issued</p> <p>Vulnerability project – Policy and Insight – all Standards and CRM Code</p> <p>Emerging Risk Forum - personal and business Standards</p>	<p>End to end compliance review – business Standards</p> <p>Cyclical compliance reviews – personal Standards</p> <p>Update Information for Practitioners – personal Standards</p> <p>Self attestation due</p> <p>Emerging Risk Forum - personal and business Standards</p>