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fair treatment regime 'not properly policed'

The UK's Financial Services Authority (FSA) has been attacked for failing to properly audit the behaviour of banks towards their customers.

Since 2006 the FSA has been responsible for overseeing a 'Treating Customers Fairly' (TCF) regime under which banks and financial institutions are supposed, among other things, to make fair treatment of customers central to their corporate culture and to ensure that consumers are provided financial advice that is suitable to their circumstances.

However, Good Corporation, the responsible business auditing company, says the FSA is falling down in its duty to keep an eye on the TCF regime and is failing to show a proper commitment to regulating and auditing financial service providers against its tenets. It wants the FSA to carry out independent audits of banks, including mystery shopper exercises and customer surveys as well as an audit of marketing materials, consumer information and 'a thorough review of policies and practices'.

Leo Martin, director of Good Corporation, noted that by the end of 2008, financial service providers had been expected to demonstrate to the FSA that they were consistently treating their customers fairly, 'yet although this system of regulation was supposedly in place, complaints about the way banks, building societies and specialist lenders treat their mortgage customers have soared by 40 per cent in the past six months'.

The FSA says TCF 'remains a vital part of our retail strategy and as such is being fully integrated into our core supervisory work'.

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