

employee benefits

Paul Harrison and Natasha Adom: Financial regulators roll back DEI proposals – a sign of things to come?

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The Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) have announced that they will not be taking forward plans to introduce a new framework to promote diversity and inclusion in the financial sector. Although, at first sight, this may appear to mirror the backlash against [diversity, equity and inclusion](#) (DEI) by President Trump's administration in the

United States (US), the UK context is very different. Indeed, one of the reasons given for the rollback by the financial regulators is the UK government's active legislative agenda in this area.

Back in September 2023, the FCA and PRA launched consultations aimed at driving [diversity and inclusion](#) in the financial sector. These were wide-ranging proposals which would have required larger firms to publish a diversity and inclusion strategy, set targets to address under-representation and report annually on the representation of a range of demographic characteristics and on their progress against targets.

However, the regulators have confirmed that, after considering the extensive responses to their consultations, they will not be taking forward their proposals. This is perhaps not surprising given that the Treasury Committee itself expressed opposition to these proposals. While it acknowledged that regulators had a role to play in relation to

diversity and inclusion, it argued the measures would be costly, the benefits unclear and would likely be treated by many firms as a tick-box exercise.

Both regulators have stressed that they continue to believe in the value of promoting diversity and inclusion to achieving their regulatory objectives and continue to support voluntary objectives. However, they referred to the need to align their proposals with the government's legislative agenda to avoid unnecessary cost and duplication. The PRA also referred to a growing emphasis on reducing regulatory burdens.

The Employment Rights Bill, which recently passed through the House of Commons, includes DEI-related measures. For example, it will require employers with at least 250 employees to publish equality action plans. The specifics are not yet available, but the legislation gives examples of addressing the gender [pay gap](#) and supporting employees experiencing the menopause. The government also proposes new legislation later this year expanding mandatory pay gap reporting to include ethnicity and disability pay gap reporting.

The legislative changes are likely to be less extensive than the original proposals of the FCA and PRA, but given the overlapping nature, and in the light of opposition to the proposals from the Treasury Select Committee, the regulators' decisions not to proceed at this stage are not surprising.

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