

Culture as a Regulatory Priority: What HR Leaders Need to Know

Charlotte Hill
24 June 2025

Overview

- Introduction
- What is “culture”?
- Four areas where this cultural focus is especially visible:
 - Consumer Duty
 - Diversity, Equity and Inclusion (DEI)
 - Whistleblowing
 - Non-financial misconduct

What Do Regulators Mean by 'Culture'?

- FCA: “Habitual behaviours and mindsets that characterise an organisation”
- PRA: Culture as a driver of safety and soundness
- FCA's Four Drivers of Culture:
 - Purpose
 - Leadership
 - Governance
 - People policies
- Culture is a key lens through which the FCA assesses firm behaviour

Consumer Duty and Culture

- In force for open products (July 2023) and closed books (July 2024)
- Requires firms to deliver good outcomes for retail customers
- HR Implications:
 - Performance management linked to outcomes
 - Training beyond technical competence
 - Reward structures must support fair treatment
 - Board and senior management oversight – governance metrics now include staff experience
- Culture must embed customer-centric values – it is now a compliance issue and no longer optional

Diversity, Equity and Inclusion (DEI)

- CP23/20 proposes new rules for large firms (October 2023) – to be finalised later this year
- Focus on improved decision-making and fair treatment: more diverse and inclusive firms make better decisions
- Regulatory Proposals:
 - Clear DEI strategy at firm level
 - Data collection across characteristics
 - Accountability of senior leaders
 - Transparency - Disclosure of targets and progress
- DEI now part of regulatory expectations, not just ESG

Diversity, Equity and Inclusion (DEI), continued

- For HR, this means:
 - Aligning recruitment, development, and promotion practices with clear DEI objectives.
 - Ensuring that inclusion is *measurable* — and monitored.
 - Equipping leaders to build psychologically safe and inclusive teams.
 - Ensuring that DEI is not simply a policy, but a lived reality.

Whistleblowing and “Speak-Up Culture”

- Effective arrangements required by FCA and PRA
- Seen as proxy for healthy culture and risk management
- Employees must feel safe to speak up
- HR's Role:
 - Training - Encourage psychological safety
 - Train middle managers in escalation
 - Metrics - Monitor not just volume, but response to concerns
- Speak-up culture reflects firm integrity and trust

Non-Financial Misconduct

- Includes bullying, harassment, discrimination
- Increasingly viewed as relevant to fitness and propriety
- Expectations for HR:
 - Consider personal conduct in hiring, appraisal
 - Disclose serious issues to regulators
 - Strengthen disciplinary and culture processes
- Behavioural integrity = regulatory fitness

Conclusion and Takeaways

- Culture is a strategic and regulatory focus
- HR is central to regulatory compliance
- People risk = regulatory risk

- HR Opportunity:
 - Champion good culture and DEI
 - Embed customer-centric values
 - Drive psychological safety and integrity

If you have any queries, please contact:



Charlotte Hill
Partner

Phone (+44) 020 7203 8945
Email charlotte.hill@crsblaw.com

[charlesrussellspeechlys.com](https://www.charlesrussellspeechlys.com)

This information has been prepared by Charles Russell Speechlys LLP as a general guide only and does not constitute advice on any specific matter. We recommend that you seek professional advice before taking action. No liability can be accepted by us for any action taken or not taken as a result of this information. Charles Russell Speechlys LLP is a limited liability partnership registered in England and Wales, registered number OC311850, and is authorised and regulated by the Solicitors Regulation Authority (SRA number: 420625). Charles Russell Speechlys LLP is also licensed by the Qatar Financial Centre Authority in respect of its branch office in Doha, licensed by the Ministry of Justice and Islamic Affairs in respect of its branch office in Manama and registered in the Dubai International Financial Centre under number CL2511 and regulated by the Government of Dubai Legal Affairs Department in respect of its branch office in the DIFC. Charles Russell Speechlys LLP's branch office in Singapore is licensed as a foreign law practice under the Legal Profession Act (Cap. 161). Any reference to a partner in relation to Charles Russell Speechlys LLP is to a member of Charles Russell Speechlys LLP or an employee with equivalent standing and qualifications. A list of members and of non-members who are described as partners, is available for inspection at the registered office, 5 Fleet Place, London, EC4M 7RD. In Hong Kong, France, Luxembourg and Switzerland Charles Russell Speechlys provides legal services through locally regulated and managed partnerships or corporate entities. For a list of firms trading under the name of Charles Russell Speechlys, please visit <https://www.charlesrussellspeechlys.com/en/legal-notices/>.