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Non-Financial Misconduct: A New Chapter in Insurance Conduct Standards

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The Financial Conduct Authority's ("FCA") recently published Consultation Paper CP25/18, released in July 2025, marks a significant turning point in how non-financial misconduct ("NFM") will be tackled within the insurance industry. With the consultation open until 10 September 2025, senior leaders and decision-makers have a critical opportunity to understand not only what's changing but why and how this will reshape their firm's culture, controls, and ultimately, customer outcomes.

The FCA's move to formalise expectations on non-financial misconduct follows a steady build-up of scrutiny and concern.

The "Sexism in the City" Inquiry revealed systemic gender-based discrimination and harassment within financial services and called for clearer, firmer regulatory standards to address workplace misconduct that undermines equality and professionalism. Around the same time, the Culture and Non-Financial Misconduct Survey, which included wholesale insurers and intermediaries, further highlighted how bullying, harassment, and other misconduct, while not financial crimes, damage a firm's culture, business performance, and the industry's reputation.

This growing body of evidence led the FCA to act, aiming to ensure consistency between banks and non-bank firms (including insurers) and to strengthen accountability across all corners of the financial services sector.

Why Diversity and Inclusion Was Deliberately Excluded

Interestingly, diversity and inclusion ("D&I"), though tightly connected to culture, was excluded from the scope of the proposed misconduct rules. The FCA made a conscious decision here: while D&I remains a regulatory priority, it is better advanced through strategic firm-wide initiatives, leadership commitment, and governance expectations, rather than being treated as a form of misconduct within the Code of Conduct ("COCON") framework.

This separation ensures that the misconduct rules are focused on behaviours that breach standards, while D&I is approached more holistically — through metrics, recruitment practices, and board oversight.

One key challenge for firms is navigating the boundary between COCON and employment law. Not all misconduct will qualify as a COCON breach, and vice versa. Firms will need to update disciplinary procedures and internal escalation routes to accommodate these parallel frameworks and avoid delays or inconsistencies.

Practical next steps

From 1 September 2026, revised COCON rules will apply to insurers and other non-bank firms. These changes primarily affect individuals in roles subject to the Senior Managers and Certification Regime ("SMCR").

Importantly, the threshold for a breach of COCON will generally require that the behaviour has a seriously negative impact on others which sets a higher bar for regulatory action than internal misconduct proceedings.

A helpful table in COCON 1.3.7G illustrates how private behaviours might fall inside or outside the scope, depending on their impact and relevance to regulated functions.

Key actions that firms need to take ahead of 1 September include updating their internal policies and handbooks, so that they reflect the broader scope of NFM and set clear behavioural expectations during recruitment, onboarding and throughout employment. Firms should also review their speaking-up frameworks, so that they are confident that whistleblowing and misconduct reporting mechanisms are trusted, anonymous where necessary and free from retaliation.

Ongoing compliance requires systems that monitor conduct appropriately, using legal and proportionate tools to spot patterns of concern that may breach conduct expectations. NFM should be included in risk appetite statements, recognising these behaviours as cultural and reputational risks that require proactive mitigation.

The Link to Consumer Duty

At first glance, non-financial misconduct might seem an internal HR or conduct issue. But its implications ripple outward, directly impacting consumer outcomes and trust. The FCA's Consumer Duty which demands firms act to deliver good outcomes for customers aligns closely with the principles behind tackling misconduct. A firm that tolerates bullying, harassment, or unfair treatment internally risks poor decision-making, low morale, and ultimately, compromised service to customers.

Strong conduct standards and a respectful culture help create an environment where employees can focus on customers' best interests without distraction or fear. Moreover, the FCA's emphasis on individual accountability means senior leaders must lead by example, embedding these standards as part of their broader governance and consumer protection obligations.

CP25/18 is more than regulatory housekeeping; it's a call for cultural evolution within insurance firms. The FCA's tougher stance on non-financial misconduct, harmonised across financial services, reflects a deeper understanding: conduct isn't just about numbers, compliance, or fines. It's about people, values, and trust.

For senior leaders in insurance, this is a moment to pause and reflect: Are our firms prepared not just to comply, but to lead? To foster workplaces where respect, fairness, and accountability are non-negotiable? Because in today's market, that's what it takes to build resilience, reputations, and lasting customer loyalty.