

MPs demand FCA inquiry over hidden credit liabilities claims



[Momodou Musa Touray](#) 14 April 2026

MPs are calling for a judge-led inquiry into the Financial Conduct Authority's handling of alleged hidden credit liabilities.

They claim the regulator failed to properly investigate what they describe as a major financial scandal affecting UK businesses.

The issue will be debated in Westminster Hall today (14 April), led by chair of the All-Party Parliamentary Group on Investment Fraud and Fairer Financial Services, John McDonnell.

The APPG is urging the government to establish a fully independent statutory inquiry into both the alleged hidden credit liabilities scandal and the FCA's role in overseeing the matter.

According to the APPG, thousands of SMEs may have been sold complex derivative products alongside loans, with the products allegedly carrying undisclosed liabilities that affected firms' credit positions and financial stability.

The group said it has gathered evidence from victims, specialist advisers and whistleblowing service BankConfidential, which it claims shows many SMEs seeking straightforward loans were instead sold products such as interest rate swaps presented as protection against rate rises.

It alleges these products concealed significant undisclosed credit line liabilities booked against customers' assets from the outset.

Derivatives and capital markets lawyer Lorraine Morris told the APPG: "These instruments were deliberately engineered to transfer significant, undisclosed, and uncapped risk directly onto the customer."

“The mechanism was the concealed creation of a credit-line liability, booked against the customer’s assets from day one. This contingent obligation was not a notional figure; it was a hard liability that directly impacted the customer’s credit grade.”

The APPG claims the issue contributed to viable businesses being pushed into distress and transferred into bank restructuring units.

McDonnell said: “This debate is about justice, long overdue justice, for thousands of business owners and their families who were systematically defrauded.”

He added: “Behind every case file are human beings. People who lost their business, their home, their health, or their life. Parliament cannot allow this to continue. We need an independent inquiry now.”

Ian Byrne said the scandal followed “a deeply familiar and troubling pattern” seen in other national injustices, including the Hillsborough and Post Office scandals.

David Chadwick added that the alleged use of hidden credit liabilities and mis-selling of financial products had caused “significant harm”.

Prem Sikka said: “How can we have trust and confidence in our regulatory framework when the FCA consistently sides with the banks, not the citizens that the regulator has been tasked by Parliament to protect?”

Responding to the claims, an FCA spokesperson said: “We recognise that many small businesses suffered following the financial crisis and there have been a number of reviews into how loans were sold.

“The IRHP redress scheme, set up over a decade ago, led to fast, fair redress of over £2.2bn for 14,000 small businesses.

“We carefully reviewed the specific concerns raised with us about Ulster Bank’s past SME loan practices, which were a different type of product.

“We are satisfied that these loans fall outside our regulations, and we found no evidence warranting further action. However, we welcome that £1.8m was paid to 26 impacted Northern Irish businesses in this case.”

The FCA said the products sold by Ulster Bank were distinct from the interest rate hedging products covered under the 2012 IRHP redress scheme and fall outside its regulatory remit.

It added that it had investigated concerns raised about Ulster Bank’s fixed-rate loan products and found no evidence warranting further supervisory action.

However, the regulator said it is considering whether similar allegations made against another retail banking group involve materially new information or evidence.

Original Link

<https://www.moneymarketing.co.uk/news/mps-demand-fca-inquiry-over-hidden-credit-liabilities-claims/>