

The Financial Reporting Council has been nationalised

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Tim Bush of [Pensions and Investments Research Consultants](#) (who I advise) drew my attention to an article in the Institute of Chartered Accountant's magazine, [Economia, late last week](#). The article does in effect say that the UK's accounting regulator, the [Financial Reporting Council](#) (FRC), has been brought back under state control. This is the consequence of a decision by the Office for National Statistics that the FRC should now be considered a non-departmental public body for the purposes of its treatment in the national accounts. The FRC has fought this process since 2014 but has finally relented.

It is obvious why the FRC fought. Being a non-departmental public body subjects it to greater public accountability. It also requires that permission be sought before it can pay anyone more than the prime minister, which is not going down well at the FRC's London Wall headquarters, where it is claimed that this will result in a loss of suitable talent to undertake its mission, [which it says is](#) 'to promote transparency and integrity in business'.

I suspect Tim would join me in saying that he has doubts about the quality of the FRC's work. I have been consistently underwhelmed by it. But I suggest that this is not the key issue to consider at this moment because the bringing of the FRC back under direct government control lets questions be asked that its quasi-independent status prevented. I will just offer some of these.

First of all, if the responsibility for UK accounting standards now passes with the FRC directly to the government will we now see the public interest being taken into account when these standards are set? It is very clear that this is not the case at present when the only issue of concern in these standards is that of the suppliers of capital to companies and so the interests of all other stakeholders are very largely ignored.

Second, will the interest of those other stakeholders now be represented at the FRC? Right now it effectively represents the professions and this is not acceptable. Those professions are neither the centre of all wisdom in the issues that the FRC regulates or the place where understanding of user need is to be found, precisely because the

professions act in the interests of producers of data and suppliers of services. New appointments must radically broaden the expertise on which it calls. In particular pensioners, trade unions, civil society and small business (and not those who think they are small business but actually work for quite large firms) need much better representation.

Third, in that case can we now expect that the FRC might act more appropriately in the interests of the communities it supposedly serves but of whom it seems to have such limited understanding? So will we, for example, see accounting standards that users might understand, which is simply untrue of the new UK accounting standard FRS 101, which will supply data alien to the vast majority of recipients of that information?

And, fourthly, might we finally also see the FRC supply country-by-country reporting, which they have so far simply refused to engage with based on my engagement with them? It is now readily apparent that parliament and the public want this data but so far the accounting profession and the FRC, to the discredit of both, claim it is 'just tax data', as one accountant involved in the accounting standard setting process in this country told me recently.

I welcome this move to bring the FRC under better control, but if it is only a symbolic move it will mean nothing. The time has come for financial regulation in this country to be undertaken in the public interest. Only real change at the FRC will deliver that.