

FCA Confirms Final Guidance for the New Non-Financial Misconduct Rule

December 22, 2025

Financial Services

On 12 December 2025, the FCA published a Policy Statement (“PS25/23”), finalising new Handbook guidance to support firms in applying its recently introduced rule on non-financial misconduct (“NFM”).

PS25/23 builds on an earlier consultation paper (“CP25/18”), which included a policy statement that introduced COCON 1.1.7FR (the “**New Rule**”). The New Rule expands the scope of COCON for non-banks to broadly align with that for banks – in the context of NFM (such as bullying, harassment and other forms of inappropriate personal conduct) perpetrated against colleagues in a work-associated environment. CP25/18 was covered in our [previous client alert](#).

FCA Guidance and Firm Responsibilities

When the New Rule was introduced, the FCA consulted firms on whether additional Handbook guidance was needed, which 95% of respondents favoured.

While some firms requested more detailed examples, the FCA confirmed that it cannot address every scenario – firms must continue to exercise their own judgement.

Key Differences from CP25/18

The FCA has made some relatively minor refinements to address feedback from respondents. They include:

- **Practical Support.** PS25/23 introduces new examples, decision trees and flowcharts to aid consistent application of the New Rule, support firms in assessing when NFM amounts to a breach of COCON, explain COCON’s applicability to shared functions across financial and non-financial parts of the business, and clarify the boundary between work and private life.
- **Alignment with Employment Law.** The FCA has revised the guidance to further align with relevant provisions in employment law. For example, COCON 4.3.15G confirms that the purpose of the conduct is as important as its effect, meaning an individual may breach COCON even if hostile and intimidatory communications are intercepted before reaching the intended subject.

- **Manager Accountability.** PS25/23 reinforces the importance of managerial accountability in preventing NFM, while clarifying its limits. “Managers” (which is not limited to line managers) will not be held responsible where they could not reasonably have known about the misconduct or lacked authority to act.
- **Unproven Allegations in an Individual’s Private Life.** Firms are not expected to investigate trivial, implausible or speculative allegations. Private life conduct may be relevant where it poses a material risk to fitness and propriety, such as conduct that could breach regulatory standards if repeated at work.
- **Expressing Views on Social Media.** The FCA removed the word “offensive” to avoid implying that such conduct will never be relevant; and confirmed that individuals may lawfully express controversial views on social media without necessarily calling into question their fitness and propriety.
- **Applicability of the FCA’s Statutory Objective.** A concern was raised by three respondents to CP25/18 that small firms may struggle to judge whether an individual’s conduct is inconsistent with the FCA’s statutory objectives, particularly where there is no clear impact on public confidence. To address this concern, PS25/23 introduces FIT 1.3.12G(3), which states that, “the FCA accepts that **it would be reasonable for a firm not to apply the factors in FIT 1.3.12G as a self-standing criterion when assessing fitness** and that the FCA is in a better position to make judgements of this kind than a firm”. While undoubtedly well-intentioned, this new guidance creates uncertainty and potential confusion, and raises the following questions, which are of real practical significance:
 - What does FIT 1.3.12G(3) mean in practice – especially, the term “as a self-standing criterion”?
 - How can FIT 1.3.12G(3) be reconciled with the following statement in FIT 1.3.12G(1): “The FCA’s statutory objectives are a key factor in deciding whether something is relevant to whether a person is fit and proper”?
 - Further, how can FIT 1.3.12G(3) be reconciled with FIT 1.3.17G(1)(b) and FIT 1.3.17G(3), which expressly references public confidence in the financial system and UK financial services industry and the FCA’s statutory objectives – which would therefore appear to require a firm to make a determination on these matters?

In consequence, the extent to which firms should consider the FCA’s statutory objectives, including maintaining public confidence, when determining whether misconduct is relevant from a FIT perspective, is now less clear than it was previously. This is an unhelpful development – not least, as this is a question that firms will often face in practice. We have written to the FCA to seek clarification.

Closing Comments

In PS25/23, the FCA confirms that its policy work on NFM is now complete. The New Rule, supported by the finalised guidance, aims to raise and clarify standards across the industry.

Firms should familiarise themselves with the New Rule and guidance ahead of implementation on 1 September 2026. To support practical and operational application, we have updated our NFM Resource pack, which distils the New Rule, finalised guidance, and notification obligations into flowcharts with accompanying notes, and includes a brief “Failure to Address NFM Guide” for managers.

If you would like to receive the NFM Resource pack or have any questions concerning the material discussed in this client alert, please contact a member of the team:

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