Regulatory Outlook

Welcome to the Regulatory Outlook, providing you with high-level summaries of important forthcoming regulatory developments to help you navigate the fast-moving business compliance landscape in the UK.

The spotlight development this month is that the EU has unveiled its first omnibus package, proposing significant amendments to the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD).

February 2025

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Advertising and marketing

Advertising and marketing

CAP updates on ad restrictions on 'less healthy' food and drink products

Last year, the government confirmed that it will bring forward advertising restrictions for "less healthy" food and drink products – products high in fat, salt or sugar (HFSS) – and published the secondary legislation together with guidance on the new restrictions. The regulations will come into force from 1 October 2025. (See our Insight for more information.)

The Committee of Advertising Practice (CAP) published a consultation on the new guidance and on the changes that will need to be made to the advertising codes to reflect the new restrictions. The consultation closed on 7 February 2024.

In its update on the consultation, published on 13 January 2025, CAP said that the process has led to it potentially reconsidering some aspects of the guidance, particularly on brand advertising, that is, advertising by brands that does not explicitly refer to or feature particular products.

The proposed guidance suggested that ads featuring branding for a range of entirely "less healthy" products would fall outside the scope of the restrictions if the ads did not depict or reference a specific HFSS product.

However, the legislation does not make any specific reference to brand advertising. It applies media bans to ads for identifiable HFSS products, which it explains are those ads that consumers could reasonably be expected to identify as being for an HFSS product. This is the test that the revised guidance will likely be amended to reflect so that it is clear that an ad may still be restricted if consumers could reasonably identify it as being for an HFSS product or products, even if the ad does not explicitly refer to or feature such product.

The guidance will also clarify that it cannot state in the abstract whether ads from particular brands will fall within or outside the scope of the restrictions. Each case will be judged individually. Businesses will, therefore, have to consider carefully the content and placement of their ads in context, including the overall product and service offering.

Ahead of making these changes to the guidance, CAP has published a further consultation, which is open until **18 March 2025**. The final guidance is expected in the spring after collaboration with Ofcom, the Advertising Standards Authority and the secretary of state.

'Top tips' for marketers of age-restricted ads issued by CAP

Following publication, in December 2024, of the report from the ASA on the online supply pathway of ads for alcohol, gambling and other age-restricted products, CAP has now published its "top tips" for marketers to avoid ads being mistargeted to sites disproportionately popular with children. These include:

Marketers and other third parties should categorise correctly to signify the age-restricted nature of the ad.

Marketers and third parties should have an updated blocklist that conducts periodic monitoring of sites disproportionately popular with children.

The content of sites and channels should be assessed to determine whether they are appropriate destinations for an age-restricted ad.

Channels and sites should actively monitor their audience profiles to ensure that they categorise themselves as "Made for kids" or similar and have child-directed content or equivalent if data shows that they regularly attract a disproportionate amount of children.

Advertising committees consult on removal of energy labelling and product fiche information

Having received no complaints under the current rules in both the CAP and Broadcast Committee of Advertising Practice (BCAP) codes on including energy labelling and product fiche information (that is, product information sheets), which have been in place since 2011, CAP and BCAP are consulting on removing these rules from the codes.

The removal would not affect legislative requirements and consumers and businesses would still be able to report concerns to the statutory body, the Office for Product Safety and Standards, which is responsible for the enforcement of the relevant regulations.

The consultation is open until **4 March 2025**.

Advertising and marketing

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Artificial Intelligence

Artificial Intelligence

UK updates

Data (Use and Access) Bill amended to include AI provisions

Data (Use and Access) Bill is progressing swiftly. It has completed its passage through the House of Lords, had first and second readings in the House of Commons, and is into committee stage. The new version of the data bill was published following the Lords stage.

Various amendments were made in the Lords, some of which have direct relevance to use of copyright works for artificial intelligence (AI) development. The new clauses 135 to 139 cover the use of "web crawlers" for content scraping, especially for AI purposes. These include provisions requiring, for example, compliance with UK copyright law (even if web scraping occurs abroad), and disclosure of the web crawlers used and of the sources of data used to train any AI models.

The AI-related amendments in particular have sparked much debate. The government has not yet indicated whether it intends to attempt to reverse any of these changes.

For more on the changes made to the bill by the Lords and its expected progress through the Commons, see the data law section.

AI Safety Institute gets rebrand with new focus on national security

The Department for Science, Innovation and Technology (DSIT) has announced that the AI Safety Institute (AISI) will be renamed the AI Security Institute (conveniently not requiring a new acronym).

The science minister, Peter Kyle, said the AISI will have a "renewed focus" on national security and protecting citizens from crime and "will ensure our citizens – and those of our allies – are protected from those who would look to use AI against our institutions, democratic values, and way of life".

He said that the new name better reflects AISI's efforts to address "serious AI risks with security implications," such as how the technology might be used to develop chemical and biological weapons, carry out cyber-attacks, or commit fraud and child sexual abuse.

AISI will not focus on bias or freedom of speech, he added, "but on advancing our understanding of the most serious risks posed by the technology to build up a scientific basis of evidence which will help policymakers to keep the country safe as AI develops".

The renamed institute will partner across government to achieve these security aims, including the Defence Science and Technology Laboratory (the Ministry of Defence's science and technology organisation) and the Home Office.

First international AI safety report

In preparation for the French AI Action Summit, the UK government has announced the publication of its first report on AI safety, with input from 100 world-leading experts led by AI luminary Yoshua Bengio. The report analyses emerging AI risks with the intention that it will guide policymakers' decision-making by helping them understand general-purpose AI capabilities, risks and possible mitigations.

The government says that the report "sets a new standard for scientific rigour in assessing AI safety" and intends it to become the "global handbook" for AI safety.

UK government publishes AI cyber security code of practice

See Cyber section

Treasury committee launches inquiry into AI in financial services

See Fintech, digital assets, payments and consumer credit section

EU updates

First provisions of the EU AI Act come into effect

Artificial Intelligence

The first parts of the EU AI Act came into full effect on 2 February and included restrictions on prohibited AI practices and general AI literacy obligations.

The following applications of AI are now banned (under article 5):

- Harmful AI-based manipulation and deception.
- Harmful AI-based exploitation of vulnerabilities.
- Social scoring.
- Individual criminal offence risk assessment or prediction.
- Untargeted scraping of the internet or CCTV material to create or expand facial recognition databases.
- Emotion recognition in workplaces and education institutions.
- Biometric categorisation to deduce certain protected characteristics.

Real-time remote biometric identification for law enforcement purposes in publicly accessible spaces.

The AI literacy obligations (in article 4) mean that providers and deployers of AI systems must take measures to ensure, so far as possible, a sufficient level of AI literacy for staff and other people dealing with the operation and use of AI systems on behalf of the provider or deployer.

AI literacy is defined as: "skills, knowledge and understanding that allow providers, deployers and affected persons, taking into account their respective rights and obligations in the context of this Regulation, to make an informed deployment of AI systems, as well as to gain awareness about the opportunities and risks of AI and possible harm it can cause".

The measures taken should take account of the relevant persons' technical knowledge, experience, education, and training, as well as the context the AI systems are to be used in and the persons on whom the AI systems are to be used.

See this AI resource from the European Commission.

See also this Insight for details of the AI Act requirements, this Insight for the implementation timetable, and this Insight for details of the AI literacy requirements.

First EU AI Act guidelines are published

The European Commission has published its long-awaited guidelines on the definition of "AI system" and on prohibited categories of AI.

The guidelines on the definition of AI system do little beyond parsing the definition, straightforwardly applying the recital and giving predictable examples. The key is the ability of a system to act autonomously and infer how to generate output based on inputs. Section 5.2 gives examples of types of computation which will be out of scope.

Consequently, the definition is widely drafted, so it will be difficult for actual AI systems – even basic ones – to avoid being regulated. The guidelines make clear that the AI Act is not intended to capture the application of standard mathematical, statistical and computing techniques that have been around for years.

Article 5(1)(a) prohibits the use of subliminal, manipulative and deceptive techniques are in general interpreted widely.

For instance, subliminal techniques include drawing attention to specific eye-catching content to prevent someone noticing another part of the content. They also include techniques which target persuasive messages based on an individual's data.

Article 5(1)(b) prohibits the use of AI systems that exploit vulnerabilities. It could cover systems that exploit the reduced cognitive vulnerabilities of some elderly people by targeting them with services, such as unnecessary insurance policies.

The "significant harm" element can be met where the harm is to someone other than the person whose vulnerabilities have been exploited. For example, harms to society could also be relevant, such as increased healthcare costs and reduced productivity.

Article 5(1)(c) prohibits certain uses of AI evaluation and classification based on social behaviours or personal characteristics. This is known as **social scoring**. Some types of marketing and service provision could be caught; for

example, if individuals are unfairly offered worse deals based on profiles drawn from a wide range of data points and some of this should not be relevant to the unfavourable treatment received.

EU AI Act's draft code of practice delayed

The code of practice on general-purpose AI, made under the EU AI Act, is currently in draft and due to be finalised by the end of April – and preparatory to the AI Act provisions on general-purpose AI coming into force in August 2025. While compliance with the code is, theoretically, not mandatory, demonstrating adherence to it would put companies in a strong position to demonstrate compliance with the AI Act.

The third draft was supposed to be published on 17 February, accompanied by a survey to allow participants to give feedback. However, this interim deadline was extended at the last minute, reportedly following a request for more time from some of the independent AI experts drafting the code. The third draft is expected in February or March.

Some stakeholders involved in the process have expressed concerns about the direction of travel of the drafting, saying that it goes beyond what the EU AI Act mandates in respect of copyright law and third-party testing of AI models and that some of the requirements are technically unfeasible. The US government has also expressed concerns about what it considers to be "excessive" regulation of AI by the EU.

Proposed EU AI Liability Directive to be withdrawn

The European Commission's work programme for 2025 shows the AI Liability Directive on the list to be withdrawn. This is subject to approval by the EU Parliament and Council. The move has provoked some criticism and, it has been reported that the EU's trade commissioner indicated during a press conference that it might survive after all. Maroš Šefčovič said that inclusion on the withdrawal list is an "invitation" to legislators to tell the Commission if they want to retain it.

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Bribery, fraud and anti-money laundering

Bribery, fraud and anti-money laundering

US executive order pauses Foreign Corrupt Practices Act enforcement

The US president, Donald Trump, signed an executive order on 10 February directing the Department of Justice to pause all enforcement of the Foreign Corrupt Practices Act (FCPA) for 180 days. This may be extended by the US attorney general for an additional 180 days as appropriate). The pause will be pending of new enforcement guidelines and policies addressing future FCPA enforcement are published.

This is only a temporary pause on initiating new investigations – and the attorney general has the power to make individual exceptions during this period. Although past and existing FCPA enforcement actions are to be reviewed in light of the executive order, the order makes provision for them to be continued after the 180-day pause, if it is in accordance with the new guidelines.

While the FCPA pause introduces uncertainty, no other regime so far has followed suit in pausing bribery enforcement actions. For example, the UK Bribery Act has extraterritorial application and the increased number of investigations into corporate crime by the Serious Fraud Office under the leadership of Nick Ephgrave indicates continued enforcement risk for businesses.

If you would like to discuss the issues raised, please get in touch with your usual Osborne Clarke contact or reach out to one of our experts below.

See the accompanying fact sheet.

FCA publishes guidance on money laundering through the markets

The Financial Conduct Authority (FCA) has published its report on money laundering through the markets (MLTM), which provides an updated review on the compliance of regulated firms with anti-money laundering obligations in the capital markets sector.

The FCA stated that "good progress" has been made since it conducted its earlier thematic review in 2019. However, it also identified areas where firms needed to improve to protect participants and transactions against financial crime, including transaction monitoring and information sharing under the recently enacted Economic Crime and Corporate Transparency Act 2023.

Firms should continue to review their systems, controls, MLTM awareness and training with a view to the report's findings. In particular, firms and third-party providers are encouraged to innovate and tailor transaction monitoring controls and alerts to capital markets.

However, although focused on capital markets, the report is a helpful guide to other firms in the financial services sector: the FCA has provided more detail in its guidance than in other similar reports, particularly around transaction monitoring, which appears to be a key area of current focus for the regulator.

Read the report and see our Insight for further information on the key takeaways from the MLTM report.

Lords report on FCA's proposals on early announcement of enforcement investigations

The cross-party House of Lords Financial Services Regulation Committee published its "*Naming and shaming how not to regulate*" report on the FCA's consultation paper CP24/2 regarding the proposals on the early announcement of enforcement investigations.

The committee states that it remains "deeply concerned" over the FCA's revised proposals, highlighting in particular the initial failures in communication and lack of engagement with the industry. It was "unconvinced" that the proposed new public interest framework would allow for proportionate and consistent decisions to be made over whether to announce an enforcement investigation early and that the serious inherent risk of reputational damage for senior managers had not been addressed.

In response to feedback, the FCA published a second consultation containing changes to the initial proposals (see our previous Regulatory Outlook) in November 2024. The deadline for responding to the consultation was 17 February. We will continue to monitor developments in this area. Read the full report and our response to the proposals.

Bribery, fraud and anti-money laundering

Foreign Office to extend funding to National Crime Agency's International Corruption Unit

The UK foreign secretary, David Lammy, has announced that the Foreign, Commonwealth and Development Office will extend its funding support to the National Crime Agency's (NCA) International Corruption Unit (ICU) by up to £36 million over five years.

The funding will help boost the ICU's aid-funded enforcement efforts, including conducting further international investigations into cross-border corruption, money laundering and bribery.

Separately, the security minister, Dan Jarvis, announced in December 2024 that the Home Office and the City of London Police had established the new Domestic Corruption Unit to lead proactive investigations and bring together national agencies, local forces and policing forces to tackle economic crime.

The pilot unit will form part of an anti-corruption strategy that the government has pledged to publish in 2025. For further insights on financial crime, watch our Future of Financial Service Week webinar recording.

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Competition

Competition

What can business expect from the CMA?

The government's line on growth, and its recent decision to replace chair of the CMA, Marcus Bokkerink, with former Amazon manager Doug Gurr, suggests that the CMA will be taking more a flexible, business-friendly approach to regulation in the coming months. The clear message for the CMA to adopt a more hands-off approach to investigations will be difficult to ignore, particularly after this unprecedented governmental intervention into the CMA's leadership. This approach is reiterated in the government's draft strategic steer to CMA.

This focus is mirrored by the CMA's Draft Annual Plan for 2025-2026, which alongside reiterating a commitment to acting proportionately mentions growth over 100 times (for comparison, growth was only mentioned 11 times in the previous annual plan). However in Mr Bokkerink's recent letter, after being ousted from the CMA, he stated that the government "has indicated it seeks a different approach to what is set out in that plan".

Currently, the draft plan highlights the CMA's ambition to "foster growth", "protect consumers", and "allow fair-dealing companies to innovate and thrive". Intervention into areas where consumers spend the most money and time will be key. Specifically, the CMA intends to investigate drip and dynamic pricing, travel, housing and online entertainment. Public procurement is another target for investigation and the CMA proposes to use its data and AI capabilities to spot anomalies in bidding data to identify bid rigging. The CMA aims to publish its annual plan 25/26 in March 2025.

The draft annual plan indicates some continuity in the CMA's investigative approach this year. The green energy transition remains significant and the CMA wants to encourage competitive agreements in the green technology space with the aid of its Green Agreements Guidance. It also aims to continue its investigations into cloud infrastructure services and online advertising.

Digital Markets, Competition and Consumers Act

2025 saw the entry into force of the digital markets competition regime under the Digital Markets, Competition and Consumers Act (DMCCA).

The CMA has now announced its first two strategic market status (SMS) investigations under this regime. As part of these investigations it will consider conduct requirements (CRs) that could be imposed on these firms.

The CMA has set out a number of steps that will be taken while conducting these investigations, mirroring legislative requirements for extensive consultation with third parties and potential SMS firms before making any decision:

- **Stage 1 (January to March 2025):** Initial evidence gathering and engagement with potential SMS firms and other stakeholders.
- **Stage 2 (April to June 2025):** Further evidence gathering and analysis, followed by a consultation on the proposed decision regarding SMS designation and any initial CRs.
- **Stage 3 (July to September 2025):** Analysis of consultation responses and further evidence gathering.

The CMA final decision regarding SMS designations and CRs is subject to a statutory deadline in October.

The CMA has stated an intention to launch a further investigation in June/July of this year. It is unlikely to launch an investigation earlier as this staggered approach has been adopted in consideration of the capacity of both the CMA and challenger firms. For further details on how the DMCCA may affect your business, please see our dedicated website.

Procurement Act

The Procurement Act will come into force on 24 February 2025, delayed by four months to allow for a rewrite of the National Procurement Policy Statement (NPPS). The government aims to enhance public procurement's potential to

deliver value for money, economic growth and social value. The Act also introduces significant changes to the interplay between competition law and public procurement.

The Act expands mandatory and discretionary exclusion grounds for breaches of competition law. Bidders may be excluded from public contracts and placed on a publicly available debarment list if any exclusion ground exists.

Contracting authorities must exclude bidders or "connected persons" (including subcontractors) found guilty of cartel behaviour (such as price fixing, bid rigging, or market sharing) unless granted full immunity under the CMA's leniency scheme.

Authorities also have discretion to exclude bidders suspected of such offences or abuse of a dominant position. Bidders must disclose potential or suspected breaches of competition law, even if no infringement decision has been made or the investigation is ongoing. Discretionary exclusion grounds also apply to breaches under foreign jurisdictions.

Potential bidders should review exclusion grounds and identify any applicable circumstances. They should consider "self-cleaning" measures, such as updating compliance training and policies, to demonstrate a positive compliance culture. Monitoring competitor infractions may also be beneficial for challenging future contract awards. Osborne Clarke has a dedicated webpage for advice on navigating the changes under the Procurement Act.

Civil litigation

At a directions hearing on 4 February 2025, Sir Julian Flaux and Lord Justice Green lifted a stay on five appeals from the Competition Appeal Tribunal (CAT). The outcome of these appeals is likely to have a significant impact on competition litigation claims in the future. These cases centre on whether the "multiple approach" – where funders receive payment based on a multiple of their investment rather than a percentage of damages – complies with English law following the Supreme Court's landmark PACCAR decision. For an in-depth discussion of this decision please see our previous Insight.

The PACCAR ruling disrupted litigation funding by determining that agreements entitling funders to a share of damages are damages-based agreements (DBAs) and unenforceable in opt-out CAT cases (most competition litigation cases are opt out). Funders then adopted the multiple approach, arguing it falls outside DBA scope. However, defendants in the stayed CAT cases argue that even with a multiplier, funders' returns are still linked to damages, classifying the arrangement as a DBA.

These cases were stayed due to anticipated legislation to resolve PACCAR uncertainty. However, the government will not act until the Civil Justice Council review, expected in summer 2025, is complete. With no imminent legislative intervention, the Court of Appeal decided there is no reason to delay further.

The Court of Appeal plans to list a hearing between late May and July 2025 to determine the multiple approach's validity. The ruling could significantly impact litigation funders, claimants and competition litigation. If the court sides with defendants, it will continue to restrict funding models in opt-out CAT proceedings, forcing funders to rethink strategies. Conversely, a decision favouring the multiple approach would provide clarity and a potential path forward post-PACCAR.

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Consumer law

Consumer law

Government's 'strategic steer' for the CMA includes focus on consumer protection

The Department for Business and Trade is consulting on a new draft "strategic steer" to the Competition and Markets Authority (CMA). The government will set out its expectations of the consumer protection and competition regulator in supporting and contributing to economic growth – a main focus of the Labour government. Tensions have arisen between the regulator and the government in January, with the government expressing discontent at the regulator's approach and forcing out its chair Marcus Bokkerink.

The strategic steer, which is non-binding, followed publication by the CMA of its draft annual plan 2025 to 2026, in which the regulator stresses the importance of enforcement of consumer protection laws in achieving investment and economic growth.

While the government acknowledges this link, saying that the CMA should use its enforcement powers to "grow the economy through promoting consumer trust and confidence, while deterring poor corporate practices", the strategic steer makes clear that it expects the CMA's actions to be "swift, predictable, independent and proportionate". In areas where the CMA has discretion as to how to act, the government wants it to prioritise "pro-growth and pro-investment interventions" and focus on "harms that particularly impact UK-based consumers and businesses". Furthermore, the regulator's actions should be coherent and timely, and it should take a collaborative approach.

In interacting with businesses, the government expects the CMA to be "proactive, transparent, timely, predictable and responsive" to enable quick and effective engagement with the regulator, including during investigations. The government has also asked the CMA to make its guidance "accessible and meaningful for business" and to be "attuned, and responsive to, feedback from business".

In addition, the government says that the CMA should keep an eye on the actions of consumer protection agencies internationally and ensure that any parallel regulatory action taken is timely and avoids duplication.

Overall, the steer puts pressure on the CMA to be proportionate and balanced in its enforcement actions and, as the secretary of state for business and trade said, to make "pro-business decisions that will drive prosperity and growth".

The consultation on the draft closes on **6 March 2025**.

European Commission's toolbox for safe and sustainable e-commerce

See Products section

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Cyber-security

Cyber-security

UK government publishes AI cyber security code of practice

The Department for Science, Innovation and Technology (DSIT) published a new and voluntary code of practice for artificial intelligence (AI) cyber security on 31 January, setting out how organisations developing and deploying AI apps and systems can better protect themselves against and manage the risks from a range of cyber threats (as reported in our previous Regulatory Outlook).

The code, which is structured into 13 principles, will be used to create a global standard in the European Telecommunication Standards Institute. The implementation guide setting out how organisations across the supply chain for AI systems, particularly developers and system operators, can adopt and meet the relevant provisions in the code of practice.

The government's response to the draft code has also been published. The code intends to set out clear actions for directors, company boards and senior leaders to manage effectively cyber risks across their organisation. The DSIT committed to publishing an updated version of the code in early 2025.

The DSIT's codes of practice are gathered on this webpage. See the press release for further information and the government's response to the call for views on the draft code of practice.

Government consults on ransomware reporting and payments

The UK government is proposing to introduce legislation to counter ransomware and to protect public services and critical national infrastructure (CNI) from ransomware attacks.

The government is consulting on three proposals to introduce:

- a targeted ban on ransomware payments for all public sector bodies and owners and operators of CNI that are regulated or have competent authorities;
- a ransomware payment prevention regime, which would require any individuals or organisations that are victims of ransomware, to engage with the authorities and report their intention to make a ransomware payment before paying; and
- a threshold-based mandatory requirement for all suspected victims of ransomware to report ransomware attacks within 72 hours, followed by a full report within 28 days.

The consultation closes on 8 April 2025.

The Joint Committee on the National Security Strategy conducted a year-long inquiry into ransomware in 2022, see our Insight and the government's response published last year for more details.

FCA consultation on operational incident and third-party reporting

The Financial Conduct Authority (FCA) published a consultation paper, CP24/28: Operational Incident and Third Party Reporting, in December that seeks feedback on proposals for firms to report on operational incidents such as cyber attacks and IT outages and on material third party arrangements.

With the aim of reducing reporting complexities and burdens for firms, the proposals mirror the consultation put forward by the Bank of England and Prudential Regulation Authority. They are designed to align with international incident and third-party reporting frameworks such as the EU's Digital Operational Resilience Act (DORA).

The consultation paper sets out proposals for:

- a definition for when an event would be considered an "operational incident";
- a thresholds-based requirement for firms to submit standardised reports on incidents; and
- material third-party reporting rules.

The consultation closes on 13 March 2025.

Cyber-security

To find out more about DORA, which came into force on 17 January 2025, see the webinar recording of our Future of Financial Services session on "Deciphering DORA".

Cyber regulators issue new guidance to secure 'edge devices'

The UK National Cyber Security Centre and partner agencies in Australia, Canada, New Zealand and the US have issued new guidance on minimum requirements for forensic visibility to help network defenders and manufacturers of "edge devices" more secure.

Internet-connected edge devices act as entry points for data between local networks and the wider internet, such as smart appliances and Internet of Things devices, which are considered particularly vulnerable to exploitation by cyber criminals.

The guidelines set out minimum logging and forensic data acquisition requirements that network defenders should consider when selecting new physical and virtual network devices to improve threat detection and incident response following a cyber incident.

See the NCSC press release and the Products section.

CBEST thematic analysis assesses cyber resilience in the financial sector

The Bank of England (BoE), Prudential Regulation Authority (PRA), and Financial Conduct Authority (FCA) published its latest annual analysis of its critical national infrastructure banking supervision and evaluation testing (CBEST) framework. The 2024 CBEST thematic analysis reviews the threat-led penetration testing assessment framework aimed at helping financial firms and financial market infrastructures such as payment systems). The CBEST aims to better prevent and mitigate cyber incidents that could cause operational disruption and impact the stability of the UK financial sector.

Key findings in the analysis highlighted gaps in firms' foundational cyber defences, such as weak identity management and access controls that expose firms to credential theft and social engineering, and insufficient detection and response capabilities.

Firms are advised to use the findings of the report to strengthen their cyber resilience capabilities. The regulators intend to consult in the second half of 2025 on expectations around the management of information and communication technology and cyber resilience risks. The consultation will look to further improve operational and cyber resilience in the sector.

For more information on how to manage FCA and Information Commissioner's Office investigations following a cyber security breach, see our Future of Financial Services Week "Into the (cyber) breach" webinar recording.

General Assembly adopts UN Convention against Cybercrime

The United Nations Convention against Cybercrime was adopted by the General Assembly of the United Nations on 24 December 2024. The convention will be the first comprehensive, legally binding global treaty on cybercrime, which aims to strengthen international cooperation in preventing and investigating cybercrime.

The General Assembly agreed on the final text for the convention in August 2024 2024 (see our previous Regulatory Outlook). It will open for signatures at a formal ceremony in 2025 and enter into force 90 days after being ratified by the 40th signatory. Interpol published a statement welcoming its adoption amid a "sharp escalation in the scale and complexity of cyber attacks".

European Commission to focus on securing healthcare sector

Cyber-security

The European Commission has presented an EU action plan to strengthen the cybersecurity of hospital and healthcare providers. The action plan was announced in the Commission president Ursula von der Leyen's political guidelines as a priority within the first 100 days of her new mandate.

The plan focuses on enhancing the preparedness of the sector by introducing guidance on implementing critical cybersecurity practices It looks to improve detection and identification of threats by developing an EU-wide early warning service, proposing a rapid response service for the sector, encouraging member states to request reporting of ransom payments by entities, and using the "Cyber Diplomacy Toolbox", a joint EU diplomatic response to deter threat actors from attacking European health systems.

The EU plans to launch a public consultation on further recommendations by the end of the year, with specific actions to be rolled out in 2025 and 2026.

To find out more about the latest issues surrounding cyber security, see our Insight.

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Data law

Data law

Updated Data Bill reaches House of Commons committee stage

The Data (Use and Access) Bill has completed its passage through the House of Lords and had its first and second reading and entered the committee stage in the House of Commons. An updated version of the bill has been published following the Lords stage.

Significant changes that the new bill now contains include:

- **A new clause 81**. Section 25 of the UK General Data Protection Regulation (GDPR) on data protection by design will be amended to provide that services likely to be accessed by children must treat children's data more carefully.
- **An amended clause 67**. This amends the GDPR by inserting a definition of "scientific research" and providing that it should be interpreted widely, regardless of whether it is funded publicly or privately and whether it is for commercial or non-commercial purposes. The clause has now been amended to provide that for research to be "scientific research", it must be "conducted in the public interest".
- **New clauses 135 to 139.** These new clauses cover the use of "web crawlers" for content scraping, especially for AI purposes, and include provisions requiring, for example, compliance with UK copyright law (even if web scraping occurs abroad), disclosure of the web-crawlers used, and disclosure of the sources of data.
- **New clause 141.** This amends the Sexual Offences Act 2003 to make it an offence to create or solicit the creation of a purported intimate image of an adult.

It remains to be seen as to how many of the current changes will survive in the Commons, with the government already indicating that it will attempt to reverse the change to clause 67.

ICO issues guidance on 'consent or pay' advertising models

The Information Commissioner's Office (ICO) has issued guidance on use of personal data as part of a "consent or pay" business model, following a public consultation on its draft proposals. The guidance indicates that it is possible to operate a consent or pay model compliantly, but that it is not straightforward to do so.

The guidance focuses primarily on ensuring that consent is "freely given". It considers whether there is a clear power imbalance between user and service provider, such that a user cannot realistically choose not to use the service. This is a particular issue with existing users of a service, who may find it more difficult to change to another platform. Where there is a power imbalance, simply offering a binary choice between accepting personalised ads or paying a fee is unlikely to be compliant. Other options should be offered, such as receiving a free service with contextual (rather than personalised) ads.

It also considers whether the fee level is appropriate for the benefit of using the services without personalised advertising. It is unlikely that people can freely give their consent if fees are so high as to make paying them an unrealistic option for some users.

Core services are also considered and whether they are broadly equivalent for those who consent to use of their data for personalised advertising, versus those who pay. If they are not, it will be more difficult to show that the consent was freely given.

It also considers whether the options are presented fairly, with clear information about what each option will involve. If they are not, or if the design of choices is engineered to push users towards a particular option, it is unlikely to be compliant.

The guidance chimes with the views expressed by the European Data Protection Board (EDPB) in its pay or consent opinion of last year.

Online tracking strategy published by ICO for 2025

The online tracking survey sets out how the ICO plans to promote compliance with the law in 2025 to obtain a fairer online tracking ecosystem for both consumers and business. The ICO wants to make the UK's top 1,000 UK websites cookie compliant and to give people "meaningful control" over how they are tracked online.

The ICO aims to achieve this by:

- Encouraging publishers to move towards more privacy-preserving forms of online advertising, such as contextual ads.
- Using automated compliance monitoring of the 1,000 most popular websites in the UK.
- Consulting on guidance on data protection for Internet of Things devices.
- Ensuring publishers follow its guidance on consent or pay models.
- Ensuring publishers follow its final guidance on storage and access technologies and developing a certification scheme to show compliant processing.
- Investigating potential non-compliance of data management platforms.
- Publishing guidance for the public and raising awareness of data subject rights.

ICO launches direct marketing advice generator

The ICO has launched a free online tool to assist smaller organisations undertaking direct marketing activities to comply with the Privacy and Electronic Communication Regulations and UK GDPR. The tool covers email, SMS, direct mail, social media, telemarketing and more – and will bring all the relevant guidance the organisation needs into one place.

English High Court case looks at consent

The case of *RTM v Bonne Terre Ltd and Hestview Ltd*, involved allegations of breach of the GDPR and the tort of misuse of private information. The claimant, who described himself as a reformed problem gambler who used Sky Betting and Gaming betting platforms, alleged that direct marketing emails sent to him by the platform (and the extensive profiling behind them) had contributed to his harmful gambling behaviour.

He claimed not to have validly consented to this processing – despite having clicked on "accept" or similar during the cookies consent process – and argued that the platform had processed his personal data for this purpose without a lawful basis. The judge agreed and analysed the concept of consent, stating that there are three elements to be considered:

- Subjective state of mind of the data subject.
- Degree of autonomy associated with the consent mechanism.
- Standard of evidence to be met by the data controller.

The judge considered that the impact of the claimant's gambling behaviour on his mental state was relevant and that, on the facts, his compulsive and addictive behaviour was such that his consent was not "freely given". It was also significant that the consent mechanisms did not provide adequate information and were not sufficiently separated from the process for accessing the online betting service.

UK government increases data protection fees payable to ICO across all tiers

In the autumn of 2024, the government consulted on proposed changes to the data protection fee regime to increase fees payable by data controllers to the ICO by 37.2%, as no increases have been made since 2018. (See this Regulatory Outlook.)

The government has now published its response to the consultation, recognising the views expressed by some respondents that the ICO should be sufficiently resourced, as well as the views that more clarity is needed on how the increased fees will deliver value for money for data controllers and on how resources are allocated to improve the service provided by the ICO.

Overall, the government has decided to introduce legislation to increase the data protection fees across all tiers by 29.8%; this is below the original proposal in recognition of the pressures faced by controllers as set out in the responses.

It will also retain the existing three-tier structure, including the applicable criteria for determining fees payable, as well as the £5 discount applicable to direct debit payments across all tiers and the current exemptions from the requirement to pay a fee.

European Data Protection Board consults on draft pseudonymisation guidelines

The EDPB has published draft guidelines on pseudonymisation, which is defined in the EU GDPR as "the processing of personal data in such a manner that the personal data can no longer be attributed to a specific data subject without the use

of additional information." It is referred to in the GDPR as a potential safeguard that may be effective to fulfil certain data protection obligations.

Pseudonymised data can still be attributed to an individual person through additional information. Therefore, it is still personal data, the processing of which needs to comply with the GDPR. However, pseudonymisation can assist in complying with the data minimisation principle, implementing data protection by design and by default, and ensuring an appropriate level of security.

It is for controllers to decide whether to use pseudonymisation and when and how they use it. The guidelines are intended to help controllers decide which pseudonymisation techniques to use, how to protect pseudonymised data from unauthorised attribution to individuals through the use of additional information and how to manage user rights when processing pseudonymised data.

The guidelines are open for consultation until **15 March 2025**.

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Digital regulation

Digital regulation

UK updates

Ofcom publishes guidance on age assurance and children's access assessments under OSA

As part of the second phase of implementation of the Online Safety Act (OSA), Ofcom has published its statement on age assurance and children's access assessments. This comprises three sets of guidance and marks the first step in the UK regulator's implementation of the child protection provisions of the OSA. This follows its publication of guidance and codes of practice in relation to illegal content, at the end of last year.

In-scope services now have until 16 April to complete their compulsory children's access assessments. For further information, see our Insight.

Digital safety toolkit published by Ofcom for online services

Ofcom has issued the first in a planned series of digital support services for online service providers. The toolkit is aimed primarily at small to medium-sized enterprises but may also be useful to larger providers. It aims to help providers of user-to-user and search services ensure that they are complying with their obligations under the OSA in relation to the illegal content rules. It guides the user step by step through a process that assesses the risk of illegal content appearing on their sites.

Use of the tool will produce an overview of how risks of different kinds of illegal harm might arise. It will also provide tailored recommendations for safety measures to reduce the risks. It will also help providers produce the records required under the OSA.

Businesses must complete their first illegal content risk assessment by 16 March. See our Insight for more information.

House of Commons committee probes UK disinformation threat

The House of Commons Foreign Affairs Committee has launched an inquiry into the threat that disinformation campaigns pose to the UK

The purpose of the inquiry is to understand which actors are responsible for misinformation and disinformation campaigns, whether they be hostile state or non-state actors, and which technologies are being used. The committee also wants to understand the impact of artificial intelligence.

The inquiry will also consider what the UK government should be doing across departments and with private and other organisations to combat the spread of disinformation.

Ofcom consults on commissioning independent productions under the Media Act

Ofcom has launched a consultation for public service broadcasters (PSBs) on drafting their codes of practice for commissioning independent productions as part of Ofcom's implementation of the Media Act 2024 (see our Insight).

Ofcom is revising its previous guidance to reflect changes in the Media Act, for example, to include the fact that under the new legislation, PSBs can include their on-demand platforms when meeting independent production quotas.

The consultation is open until **10 March 2025**.

UK regulator consults on designation of radio selection services under the Media Act

Ofcom has opened a consultation on proposed principles and methods for reporting to the secretary of state with recommendations for designation of radio selection services under the Media Act 2024.

The 2024 legislation includes provisions aimed at protecting the availability of UK radio on connected audio devices, that is, online radio streams. It brings certain voice-activated online services (radio selection services) that have been designated by the Secretary of State into regulation for the first time.

Under the Media Act, Ofcom is obliged to provide the secretary of state with a report making recommendations as to which radio selection services (RSS) should be designated. Before providing the report, the regulator must develop a set of principles and methods that it will follow when making the recommendations. The consultation sets out Ofcom's proposals

for these principles and methods. It also seeks views on its emerging thinking on the appropriate sources of data for measuring the use of RSS and setting the threshold for recommendations.

The consultation is open until **18 March 2025**.

EU updates

Commission integrates code of conduct on online hate speech into Digital Services Act

The code of conduct on countering illegal hate speech online is a voluntary arrangement with commitments given by leading online platforms to a range of measures aimed at countering illegal hate speech online. Measures to be taken include those affecting terms and conditions, review time of notices, transparency of content moderation, multi-stakeholder cooperation and awareness raising.

The European Commission has now endorsed the integration of the code into the Digital Services Act (DSA). The move is intended to facilitate compliance with and the enforcement of the DSA in respect of hate speech. Adherence to the code is likely to be deemed an appropriate risk mitigation measure for businesses designated as "very large online platforms" and "very large search engines" under the DSA. The code will be effective as a DSA code from 1 July 2025.

EU reports on unjustified geo-blocking and launches call for evidence

The European Court of Auditors (ECA) has published a report saying that unjustified geo-blocking is still a problem across the European Union, restricting consumers' access to online goods and services. Geo-blocking is the practice whereby traders operating in one member state prevent or restrict access by customers in other member states.

The Geo-blocking Regulation of 2018 prohibited geo-blocking in most situations unless there is appropriate objective justification (such as the blocking being required for compliance with differing member state laws).

However, the ECA says that enforcement arrangements need to be made stronger and more uniform, and consumers given better information about support and protections. The regulation does not apply to certain sectors, such as audiovisual services. However, the European Commission has engaged with some sectors regarding possible extension of the regime. The ECA recommends carefully considering the pros and cons of an extension.

The Commission has issued replies to the report, which commits it to taking action. It will further analyse the benefits, challenges and possible risks of an extension of the Geo-blocking Regulation to services providing access to audiovisual content. However, it currently does not have enough evidence to support extending the regulation to cover audiovisual content.

It will also update its guidance for member state authorities to improve support and awareness among them, look to strengthen its role in specific circumstances that affect consumers across the EU and improve the enforcement cooperation system for national authorities.

The Commission issued a call for evidence on 11 February to assist it in its evaluation of whether the Geo-blocking Regulation has met its objectives. It is open for submissions until **11 March 2025**.

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Employment and immigration

Employment and immigration

New statutory right to neonatal leave and pay from April

The government announced on 20 January that the new statutory right to neonatal leave and pay will come into force from 6 April for eligible employees. Draft regulations have now been published setting out further detail on how the new right will work and bringing the statutory provisions into force.

The right to benefit from statutory neonatal leave will be a day one right (employees do not need a qualifying period of service).

It will apply to children born on or after 6 April 2025 where neonatal care starts within 28 days of birth and where the child goes on to spend seven or more continuous days in neonatal care.

Qualifying employees will be entitled to one week's leave for every week their child spends in neonatal care, capped at 12 weeks. Neonatal care is defined in the regulations and includes medical care received in a hospital and also care a child receives on leaving hospital where their care remains under the direction of a consultant and ongoing monitoring. It also covers the provision of palliative or end of life care.

An employee must take any statutory neonatal leave before the end of 68 weeks beginning with the date of the child's birth. Regulations provide that it can be taken as non-consecutive or consecutive weeks depending on when the leave is taken (for example, whether it is taken while the child is still receiving neonatal care or where it is taken once the child is out of such care and added onto the end of a period of statutory maternity leave). The regulations make specific provision for where more than one child is born as result of the same pregnancy and both require neonatal care.

In line with the existing statutory family leave rights, during a period of statutory neonatal leave an employee will continue to benefit from their terms and conditions of employment, except for remuneration. They will also have a right to return to the same job or to another job which is both suitable and appropriate depending on when they exercise their right to return.

The regulations also provide for protection against detriment or dismissal for exercising the statutory leave entitlement, as well as providing for enhanced protection on redundancy in respect of offers of suitable alternative employment.

Employees taking statutory neonatal leave may also benefit from statutory neonatal care pay where they meet the required continuity of service requirements and minimum earnings threshold. Again, this will operate in the same way as the existing statutory pay entitlements on family leave.

Employers will now need to ensure that they have policies in place reflecting this new statutory entitlement. The statutory regulations expressly provide for an employer to operate separate notice requirements and to offer enhancements to the statutory position. Read more here.

First reports to have been submitted to HMRC under the Platform Operators (Due Diligence and Reporting Requirements) Regulations 2003

The UK Platform Operators (Due Diligence and Reporting Requirements) Regulations 2023, which came into force on 1 January 2024, implement the Organisation for Economic Co-operation and Development Model Rules 1 into UK law.

The first reports under the 2023 regulations were due to HMRC by 31 January 2025, in relation to the period from 1 January 2024 to 31 December 2024. The regulations apply to platform operators that facilitate the provision of relevant services: the rental of immovable property, the rental of a means of transport or the provision of "personal service" by connecting sellers with users. It does not include services offered or provided by agency workers. Platforms that engage and pay workers through their PAYE payroll are not subject to these regulations.

For those businesses that are yet to report, they must do so as soon as possible as failure to report leads to an initial penalty of up to £5,000 and a continuing penalty of up to £600 per day for not reporting by the 31 January yearly reporting deadline. For further details on this, please contact Belinda Brooke or Kevin Barrow.

Employment and immigration

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Environment

Environment

Environment Agency chief regulator reports on regulated business

The chief regulator of the Environment Agency (EA) has published a report on the performance of its regulated business in 2023-2024.

The report discusses the need for proportionate and effective regulation that can support sustainable economic growth. While there has been improvements in performance compliance rates, the waste and water sectors were flagged as requiring further improvements. The chief regulator commented on the importance of addressing poor performance to ensure a level playing field.

The report also proposes legislative reforms to simplify the regulatory framework, including increased funding for digital transformation.

Government urged by Environment Agency to adopt new regulatory approach on economic growth

The EA published a response on 24 January 2025, to a letter it received in December from the prime minister, the chancellor and the secretary of state for business and trade that identified channels through which the EA can help contribute to the government's growth mission.

It also set out areas in which the government could assist the agency, including enabling cost recovery for its activities.

The EA commits to supporting sustainable growth in five main areas: improving land use planning services; improving efficiency and effectiveness of permitting services in key growth areas (for example, water, net zero and waste); creating more transparent data systems for regulation; supporting the government's approach to strategic spatial planning; and working with government to reform the regulatory framework

The letter also welcomed the findings from an independent commission's review of water regulation (see the November 2024 Environment Regulatory Outlook) and the Circular Economy Taskforce.

Extending the UK Emissions Trading Scheme cap beyond 2030

The UK Emissions Trading Scheme (ETS) Authority has published a consultation seeking views on proposals to extend the cap-and-trade scheme beyond the end of phase one into a second phase from 1 January 2031.

The ETS consultation is also seeking views on the length of phase two after 2030. The permissibility of banking emissions allowances between phase one and a post-2030 phase two is also being consulted on by the authority.

The consultation was published on 12 February 2025 and will run until 9 April 2025.

Statutory Instruments amending the UK ETS

The Greenhouse Gas Emissions Trading Scheme (Amendment) Order 2025 – order number one – and the Greenhouse Gas Emissions Trading Scheme (Amendment) (No 2) Order 2025 were both made on 5 February 2025.

Order number one came into force on 6 February – apart from a small number of articles that come into force on 1 January 2026 – whereas the second order will not come into force until 31 March 2025.

Order number one amends the circumstances in which an installation or sub-installation will be deemed to have "ceased operation" for the purposes of UK ETS, as well as the treatment of installations deemed to have "ceased operation".

Order number two moves the second allocation period for stationary installations from 2026 to 2027 to ensure alignment with the UK Carbon Border Adjustment Mechanism. The order also introduces legislative amendments following the ETS technical and operational consultation in September 2024.

UK ETS Authority publishes response to technical and operational consultation

Environment

The UK ETS Authority published a consultation in September 2024 regarding proposals for technical and operational changes to the UK ETS – and on 30 January it published a joint response to the consultation outcome.

The joint response confirms the intention of the UK ETS Authority to introduce new legislation. It intends to replace the current obligation on the UK ETS Authority to publish an annual summary with an obligation to report annually on details of all UK ETS transactions three years in arrears from May 2025.

The authority will also introduce further exceptions to the prohibition on disclosure of UK ETS information and it will a allow operators who began operations between 2 January 2021 and 1 January 2024 to apply for *'ultra-small emitter'* status for the 2026 – 2030 allocation period.

This legislation is expected to come into force on 31 March 2025 by virtue of The Greenhouse Gas Emissions Trading Scheme (Amendment) (No 2) Order 2025 (discussed above).

Separation of Waste (England) Regulations introduce recycling exemptions

The Separation of Waste (England) Regulations 2025 were made on 10 February 2025 and introduce two exemptions to the requirement under the Environmental Protection Act 1990 (EPA 1990) for recyclable waste to be separately collected in order to be recycled or composted.

The first exemption allows plastic, glass and metal recyclable waste streams to be collected together while paper and card must still be collected separately by default (unless another exemption applies). The second exemption allows micro-firm entities with fewer than 10 full-time equivalent employees to be exempted from the requirements in sections 45 AZA and 45EZB EPA 1990.

These regulations do not come into force until 31 March 2025. See our previous Regulatory Outlook for more.

New regulations for electricity generating stations require decarbonisation reports

The Environmental Permitting (Electricity Generating Stations) (Amendment) Regulations 2025 were made on 10 February – and come into force on 28 February 2026. The regulations will introduce a new requirement for combustion plants to include a "decarbonisation readiness report" in their environmental permitting application. This requirement will apply to "new and substantially refurbishing" combustion plants, with new builds able to be decarbonised within the plant's lifetime.

Environment Agency publishes the Water Industry National Environmental Programme

The Environmental Agency has published the PR24 Water Industry National Environmental Programme (WINEP), which was issued to water companies on 17 January 2025 and contains a set of actions to be taken between 2025 and 2030. These are intended to aid water companies in meeting their environmental obligations.

The WINEP is accompanied by the guidance on water industry strategic environmental requirements (WISER), which were published in May 2022. The EA is asking for all water companies to take account of the WISER strategy when developing business plans for 2025-2030.

Financial Reporting Council publishes review of climate-related financial disclosures

On 21 January 2025, the Financial Reporting Council (FRC) released its review of the quality of climate-related financial disclosures (CFD) of AIM and large private companies. This is the first review of the mandatory CFD reporting requirements under the Companies Act 2006.

The FRC's review found that the quality of reporting was inconsistent and there were areas of improvement identifiable for most of the 20 companies assessed. The FRC expects the quality of CFDs to improve in the next reporting period: it is looking for the improvement will be reflected in correspondence with companies and the best practice for good quality reporting highlighted in the report.

Environment

Government makes interim statement on plans for environmental improvement

The government announced in July last year that it would conduct a rapid review of its Environmental Improvement Plan (EIP) before the end of 2024 – and on 30 January it released an interim statement and overview of its outcomes.

Areas for improvement were identified, including clarifying delivery and accountability within the plan, and the aims of a revised plan were set out. There will now follow a process of engagement in order to produce and release a revised EIP.

Enhanced regulatory powers introduced under the Water (Special Measures) Act 2025

On 24 February 2025 the Water (Special Measures) Act 2025 received Royal Assent. The Act gives new and strengthened powers to regulators to take action against water companies. These measures include:

- a duty on Ofwat to set rules to prohibit the payment of performance-related pay to directors and chief executives where performance fails to meet specified standards related to customer matters, the environment, financial resilience and criminal liability;
- strengthening the ability to bring criminal charges against companies and executives who obstruct regulators' investigations and including imprisonment as an available sanction to this offence;
- lowering the standard of proof for certain offences where the sanction is monetary penalties and introducing automatic fixed monetary penalties for other offences (offences to be consulted on and implemented through secondary legislation);
- a duty on Ofwat to have regard to the need to contribute to UK net zero emissions target in the performance of its powers and duties;
- a new statutory requirement on all water companies to publish annual pollution incident reduction plans.

The Act extends to England and Wales and provisions will come into force variously on 24 February 2025, 24 April 2025 and as determined by relevant implementing statutory instruments.

Defra releases outcome of call for evidence on near elimination of biodegradable waste to landfill from 2028

The Department for Environment, Food and Rural Affairs (Defra) in May 2023 published a call for evidence to support the near elimination of biodegradable waste disposal in landfills by 2028.

Defra has now published the outcome of the call for evidence responses. The department in its statement on 12 February said intends to consult on detailed policies, later in 2025, which explore the responses received. However, it notes that the development of these policies will be subject to other schemes such as the expansion of the UK ETS.

City of London Law Society responds to government consultation on a UK 'green taxonomy'

In November 2024, the government conducted a consultation on the value case for a UK "green taxonomy". The City of London Law Society (CLLS) published its response to the consultation on 14 February.

The CLLS does not support the creation of a UK taxonomy and would prefer a flexible principles-based approach to classify "transition" finance – in line with the recommendations of the Transition Finance Market Review.

The society notes that many UK companies fall within the scope of the Corporate Sustainability Reporting Directive (CSRD) and will report with reference to the EU's taxonomy. It recommends that companies outside of the scope of the CSRD should be able to report voluntarily under the EU taxonomy rather than a separate UK system.

Government postpones measures to strengthen the Energy Savings Opportunities Scheme

The government has confirmed changes to Energy Savings Opportunities Scheme (ESOS) will be postponed from phase four (compliance deadline of 5 December 2027) to phase five (2027 – 2031).

These include refocusing the scheme to cover net zero as well as energy efficiency and changing the qualification thresholds to better align with streamlined energy and carbon reporting.

These changes had been announced by the previous government in their response to a consultation that ran from July to September 2021 on strengthening ESOS.

Changes that were also announced in that response and are still intended to go ahead in phase four include: removing display energy certificates and "green deal" assessments as compliance routes, including progress against action plan commitments in the ESOS assessment, and requiring explanations where action plan commitments have not been met.

Wales sets out industrial strategy for timber and forestry sector

The Welsh government has published its consultation "Making Wood Work for Wales" that sets out its first timber industrial strategy for Wales.

The proposals for the strategy are built on the following six priorities identified for Wales: increasing timber supply, increasing resilience in forests, resource efficiency and the circular economy, instilling confidence in demand, developing sector capacity, and underpinning these measures by behaviour change and improving public understanding of productive forestry.

The consultation is open for responses until 16 April 2025. The outcome of the consultation will inform the drafting of the strategy, which is expected in summer 2025.

Wales issues order to bring into force its Environment Act 2024

The Environment (Air Quality and Soundscapes) (Wales) Act 2024 (Commencement No 1) Order 2025 (SI 2025/72) was made on 23 January 2025. It will bring into force section 11 of the Environment (Air Quality and Soundscapes) (Wales) Act 2024, which requires Welsh ministers and local authorities to take steps to promote active travel as a way of reducing air pollution. Section 11 also requires them to report on the steps they have taken in the performance of that duty.

Welsh regulations to bring in section 79 of the Environment Act 2021

The Environment Act 2021 (Commencement No. 2) (Wales) Regulations 2025 were made by Welsh ministers on 16 February 2025. The regulations will bring section 79 of the Environment Act 2021 into force on 1 March 2025. Section 79 will amend the Water Industry Act 1991 to introduce a new requirement on sewerage undertakers to prepare, publish and maintain a drainage and sewerage management plan.

Section 79 came into force in England on 1 September 2024 by virtue of The Environment Act 2021 (Commencement No. 9 and Transitional Provisions) Regulations 2024.

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Environmental, social and governance

Environmental, social and governance

The EU 'Omnibus' package – what does this mean for the future of ESG reporting?
The European Commission has unveiled its first omnibus package, proposing significant amendments to the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD). This initiative aims to reduce the regulatory burden on businesses and enhance the EU's global competitiveness.

Key changes under the CSRD include raising the threshold for reporting to companies with more than 1,000 employees and €450 million turnover, removing around 80% of companies from scope. Non-EU companies generating €450 million revenue in the EU will also need to comply (previously the level was €150 million). Additionally, the requirement for information requests along the value chain for those stakeholders who do not fall under CSRD has been removed, and there will be no mandatory sustainability reporting for listed SMEs. The EU will issue guidance on assurance requirements before setting limited assurance standards, and double materiality remains despite speculation it could be scrapped. Application of the CSRD for those companies required to report as of 2026 or 2027 has also been delayed by two years until 2028.

Under the CSDDD, the transposition deadline for Member States has been extended to 26 July 2027, with the first application delayed to 26 July 2028 for larger companies. Most notably, the proposal narrows the meaning of value chain to reduce where due diligence needs to be conducted under CSDDD "to the companies' own operations, those of their subsidiaries and, where related to their chains of activities, those of their direct business partners". This includes a carve out of considering suppliers with less than 500 employees. It also looks to amend compliance monitoring to every five years instead of annually. With regard to transition plans, the proposal notes that companies must adopt but not necessarily implement net zero transition plans, and there is no need to terminate supply chain relationships for underperformance on sustainability. The proposal also removes the specific penalty cap of 5% of net worldwide turnover, with guidelines on penalties to be produced by Member States and the Commission.

Changes to the Taxonomy framework include voluntary reporting for companies within the new CSRD scope and simplified reporting templates, reducing data points by almost 70%.

In terms of next steps, the proposals put forward are in draft form and the changes need to be formally agreed by both the European Parliament and Council before they can become law. Amendments may be made to the proposal due to the controversy of the changes being put forward as this is a major row back from what the original directives aimed to do.

We expect this omnibus to be a highly debated piece of legislation and businesses should keep abreast of the final conclusions to understand the impact of any changes on their operations.

Competitiveness Compass for the EU aims to simplify ESG regulation

The European Commission published a communication on a "competitiveness compass" for the EU on 5 February. It sets out proposals for the next five years of what the EU needs to do to "regain its competitiveness and secure its prosperity". One of the main areas of focus is to simplify the regulatory environment in order to reduce burden and favour speed and flexibility. For an overview of the flagship actions, see the Commission's factsheet.

Some of the main points from the compass on ESG and sustainability are:

- **Simplification omnibus packages:** the first package was published on 26 February in regards to sustainable finance reporting, sustainability due diligence and taxonomy. The Commission states that it will "notably address the trickle-down effect to prevent smaller companies along the supply chains from being subjected in practice to excessive reporting requests that were never intended by the legislators."
- **New definition of small mid-caps:** The Commission will also introduce a new definition of small mid-caps for those companies bigger than small to medium-sized enterprises (SMEs) but smaller than large companies which it says will mean "thousands of companies in the EU will benefit from tailored regulatory simplification in the same spirit as SMEs." This is to be introduced in second quarter of 2025.

- **Review of the CBAM:** In 2025, it will explore extending the scope of the CBAM (Carbon Border Adjustment Mechanism) and its measures to address export impacts. It will apply the new definition of small mid-caps to reduce the number of smaller companies being caught.
- **Revision of the REACH Regulation:** The regulation on REACH (registration, evaluation, authorisation and restriction of chemicals) aims to simplify and expedite decision-making on important hazards.
- **Encouraging demand for low-carbon products:** The aim is to achieve this through benchmarking, labelling, mandates, public procurement preferences and financial incentives.
- **Chemicals Industry Package:** To be published at the end of 2025, focusing on industry competitiveness, human health, environmental protection and critical chemical supply.
- **Circular Economy Act proposal:** Planned for 2026, the proposal aims to promote recycling, substitution of virgin materials, and reduction of landfilling and incineration.
- **Prohibition of the destruction of certain consumer products:** The exploration of effective prohibition and related transparency obligation will focus on re-use or recycling of counterfeit goods.
- **Platform for joint purchase of critical raw materials:** This will aim to identify EU industry needs, aggregate demand, and coordinate joint purchases.

The Commission has reiterated its simplification agenda in its work programme 2025. This illustrates that the EU is poised to transform significantly the ESG regulatory landscape: it is crucial for businesses to stay informed and understand how these changes will impact them.

FCA provide update on extending the SDR regime to Portfolio Management

Last year the Financial Conduct Authority (FCA) published its Consultation Paper on 23 April that sets out its updated proposals to extend the Sustainability Disclosure Requirements (SDR) and investment labels regime to portfolio management. This month the FCA has provided an update: it is continuing to reflect on the feedback and no longer intends to publish a Policy Statement in Q2 2025, but will provide further information in due course.

Extending the UK Emissions Trading Scheme cap beyond 2030

Please see Environment.

Carbon capture decarbonisation readiness regulations

Please see Environment.

Joint Committee on Human Rights run inquiry into forced labour in global supply chains

Please see Modern slavery.

Independent Anti-Slavery Commissioner Strategic Plan 2024-2026 published

Please see Modern slavery.

Packaging and Packaging Waste Regulations comes into force

Please see Products.

Please also see our latest international ESG Knowledge Update, for a round-up of legal, regulatory and market news.

Environmental, social and governance

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Fintech, digital assets, payments and consumer credit

Fintech, digital assets, payments and consumer credit

Fintech and digital assets

Treasury Committee launches inquiry into AI in financial services

The House of Commons Treasury Committee launched an inquiry into artificial intelligence (AI) in financial services and published a related call for evidence on 3 February.

Evidence is welcomed until 17 March 2025, on the following:

- How AI is currently used in different sectors of financial services and how may change in the next 10 years.
- The extent to which AI can improve productivity in financial services.
- The risks to financial stability arising from AI and potential mitigation.
- The benefits and risks to consumers arising from AI, particularly for vulnerable consumers.
- How the government and financial regulators can strike the right balance between opportunities offered by AI, while protecting consumers and mitigating against threats to financial stability.

ESMA makes statement on non-MiCA compliant tokens

The European Securities and Markets Authority (ESMA) published a statement on 17 January addressing the provision of cryptoasset services in relation to asset-referenced tokens (ARTs) and electronic money tokens (EMTs) that are non-compliant under the EU's markets in cryptoassets (MiCA) regulation.

Cryptoasset service providers (CASPs) operating a trading platform should stop making all cryptoassets that would qualify as ARTs and EMTs – but for which the issuer is not authorised in the EU (non-MiCA compliant ARTs and EMTs) – available for trading.

To mitigate potential disruptions to the cryptoassets markets, ESMA advises that national competent authorities should ensure compliance by CASPs as soon as possible, and no later than the end of the first quarter of 2025.

Payments

Bank of England lays out initial thoughts on a digital pound

The Bank of England (BoE) published a design note on 14 January outlining its initial thinking on the potential aims, scope and focus areas of a digital pound blueprint. The BoE and HM Treasury are exploring the possibility of a digital pound – a digital complement to banknotes – which they believe could "offer households and businesses another way to make and receive payments, in step with an increasingly digital economy".

This was published alongside a progress update on the digital pound and the payments landscape.

The BoE has welcomed feedback, via email, on the considerations set out in the design note. Once the design phase is complete and taking account of developments in the wider payments landscape, the BoE and the government will decide whether to proceed with building a digital pound (which would require primary legislation).

Payment Systems Regulator five-year strategy update

The Payment Systems Regulator (PSR) published a strategy update on 16 January, having originally set out its five-year strategy in January 2022.

In a stakeholder engagement factsheet published alongside the strategy update, the PSR made a number of significant points including on the completion of work that is underway to protect users and promote competition and innovation.

The PSR is to embed fully its authorised push payment (APP) fraud reimbursement requirements, including commissioning an independent review, and deliver the outcomes from its card market reviews. It will work closely with the Financial Conduct Authority (FCA) to enable it to take forward work on the overall framework for commercial "open banking" payments, focusing on the initial phase of variable recurring payments.

The regulator will also work with the BoE to upgrade the Faster Payments system and the reform of Pay.UK, as well as assessing long-term retail infrastructure needs.

It will also look to sharpen its focus on competition and innovation in payments systems, supporting economic growth and enabling the ecosystem of the future.

The PSR, in a related press release, stated that it will work even more closely with the FCA, BoE and other authorities to deliver positive outcomes. The PSR added that the outcome of the review also reflects trends in payments (domestic and global), the government's growth mission and the impact of the National Payments Vision.

Government introduces the Public Authorities (Fraud, Error and Recovery) Bill

The Public Authorities (Fraud, Error and Recovery) Bill was presented to Parliament by the Department for Work and Pensions (DWP) on 22 January and given its first reading.

The bill gives DWP officials the power to request access to suspected benefit fraudsters bank accounts in an effort to recover fraudulent or incorrect benefit payments. UK Finance has raised concerns regarding the impact the proposals could have on the UK's growth and competitiveness and firms' legal obligations to depositors under the Consumer Duty.

FCA and PSR set out next steps for open banking

On 23 January 2025, the FCA and the PSR provided an update on open banking.

These included confirmation of the benefits of variable recurring payments (VRPs), particularly by allowing consumers and businesses greater control over making and receiving payments.

Open Banking Limited will play a significant role in establishing an independent central operator to coordinate how VRPs are made, to encourage "significant progress" in 2025.

During 2025, live services will be available for consumers to make recurring payments to utility companies, government and financial services firms.

The regulators also confirmed that they will continue to work together, overseen by a joint steering committee.

PSR statement of policy on cost benefit analysis framework

The PSR published a statement of policy on 31 January on its cost benefit analysis (CBA) framework. This explained its approach to CBA and how the framework helps develop policies with a positive impact.

The PSR consulted on a draft of the statement of policy in September 2024. It received two substantive written responses, including from UK Finance, which it has published in a separate document. Respondents largely supported the general principles set out in the consultation. The PSR has made some amendments to the draft version of the statement to reflect certain comments.

FCA publishes portfolio letter for payments firms

The FCA has published a portfolio letter sent on 3 February to firms supervised under its payments portfolio, setting out its priorities for supervision, and highlighting its concerns around ongoing risks of harm to consumers and financial system integrity.

The FCA places clear responsibility on senior management (and CEOs in particular) to digest the regulator's areas of concern, understand their firm's corresponding position and act where needed.

The regulator outlined three main priorities. Firstly, effective competition and innovation that meets customers' needs. The FCA is concerned that some new and innovative products do not always result in firms acting in their customers' best interests. It encourages firms to seek support through its innovation hub and its early- and high-growth support function and to attend upcoming FCA "tech and policy sprints".

The FCA also reiterated the message that the Consumer Duty will continue to be monitored and reviewed. The FCA is also focusing on foreign exchange pricing and the clarity of the information that firms provide for consumers to understand the overall cost of using these service.

Secondly, it wants no compromise on financial system integrity. While it noted improvements, the FCA said that controls over financial crime could be enhanced further, especially governance arrangements and internal reporting mechanisms.

It also stated that firms should "show the same diligence" in dealing with unauthorised fraud as they should do in respect in dealing with APP fraud. Given the impending implementation of its "operational resilience" regime on 31 March, the FCA reminded firms of the need to have appropriate governance, reporting and systems and controls in place to avoid the unavailability of important business services.

Thirdly, it said it wanted firms to keep customers' money safe. In relation to safeguarding, the FCA highlighted specific issues around the appropriate identification of relevant funds – when funds need to be safeguarded or not. It emphasised the need for up-to-date books and records, with daily reconciliations and notification to the FCA where material adverse findings are made in a safeguarding audit. An it noted the need, when using the insurance method, of considering the impact of changes in availability or cost of appropriate policies.

The FCA said that firms can expect final interim rules, following on from its safeguarding consultation in 2024, to be published "mid-2025".

Consumer finance

Supreme Court sets hearing date for appeal in *Johnson vs FirstRand Bank*

On 19 December 2024, the Supreme Court confirmed that the appeal in the Court of Appeal decision *Johnson v FirstRand Bank Ltd (London Branch) t/a Motonovo Finance* [2024] EWCA Civ 1282, which relates to three appeals (*Johnson v FirstRand Bank Ltd, Wrench v FirstRand Bank Ltd* and *Hopcraft v Close Brothers Ltd*), will take place between 1 and 3 April 2025.

FCA response to Financial Services Regulation Committee letter on motor finance judgment

The FCA published a letter on 17 January sent to the House of Lords Financial Services Regulation Committee relating to the Court of Appeal judgment on motor finance commission in *Johnson v FirstRand Bank Ltd (London Branch) (t/a Motonovo Finance)* [2024] EWCA Civ 1282.

In the letter, the regulator confirmed that the most relevant FCA rules and principles governing discretionary and fixed commissions include various provisions of the Consumer Credit Sourcebook (principles 6-8) and, more generally, the Consumer Duty.

It did not seek legal advice on the specific issue of the relevance of disinterested or fiduciary duties with regard to formulating (and amending) the rules providing for commission disclosure and the ban on discretionary commission arrangements.

The FCA will consider whether intervention is required once the Supreme Court has settled the law in this area.

FCA publishes proposed summary grounds of intervention in Supreme Court motor finance appeals

On 20 January, the FCA published its proposed summary grounds of intervention in support of its application to intervene in the appeals against the Court of Appeal's decision in *Johnson v FirstRand Bank Ltd (London Branch) t/a Motonovo Finance* [2024] EWCA Civ 1282, due to be heard together from 1 to 3 April 2025.

The FCA said that it will be able to provide the court with "significant, independent and non-duplicative assistance" particularly in relation to the proper approach to the interpretation of FCA rules and related legislation, the interaction between private law remedies and the regulatory framework, and the broader context of the motor finance and related consumer markets.

The regulator set out the proposed scope of its submissions in section C and sought permission to intervene both in writing and orally for up to one hour in the three-day hearing.

HM Treasury intervenes in motor finance case

The UK chancellor, Rachel Reeves, revealed plans on 22 January to intervene in the appeals against the Court of Appeal's decision in *Johnson v FirstRand Bank Ltd (London Branch) t/a Motonovo Finance* [2024] EWCA Civ 1282, in a bid to protect car loan providers from potential multibillion-pound payout.

This followed warnings from HM Treasury officials that the issue could harm the UK's business reputation. "We want to see a fair and proportionate judgment that ensures compensation to consumers that is proportionate to the losses they have suffered, and allows the motor finance sector to continue playing its role in supporting millions of motorists to own vehicles," an HM Treasury spokesperson said.

HM Treasury then provided UK Finance with its Supreme Court submission, which sets out its concerns regarding potential ramifications of the ruling.

The ruling affects the reputation of the UK as a place to do business, HM Treasury argued, and so indirectly impacts growth by abruptly changing the way the FCA and industry understood law and so makes the UK an uncertain place to do business.

Also, by having a serious impact on the motor finance industry, the submission said that the ruling would also have implications for the availability of finance to consumers (both in lending volumes and choice of lenders).

The submission referenced the potential impacts beyond motor finance and states that HM Treasury is best placed to assist with considerations of any wider effects.

The submission urged the Supreme Court's decision to reflect the regulatory framework, that is, the FCA's rulebook. It stated that should any remedies be required, they must be commensurate to the harm experienced.

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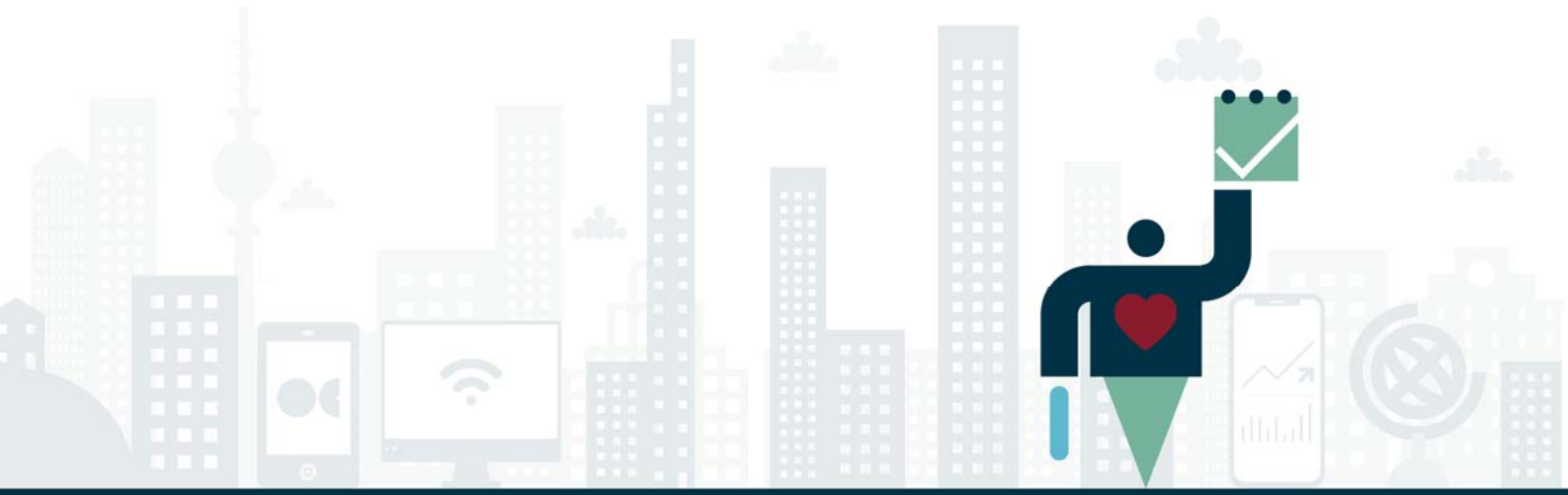

Food law

Food law

Government responds to the House of Lords Food, Diet and Obesity Committee's

As reported in our October Regulatory Outlook, the House of Lords Food, Diet and Obesity Committee published a report calling on the government to develop a new, long-term strategy to fix our food system which it describes as "broken". The recommendations for the government in the report, 'Recipe for health: a plan to fix our broken food system', included introducing mandatory front-of-pack nutrition labelling that clearly distinguishes healthier and less healthy products. It recommended banning location and price promotions of high in fat, salt and sugar (HFSS) food and drink by out-of-home businesses with more than 50 employees – and, if practicable, for smaller out-of-home businesses and franchise premises.

The government has now responded to the report and each of the recommendations put forward by the committee. However, the response did not commit to introducing the committee's recommendations. For those regarding HFSS, the government reiterated its commitment to restricting advertising of HFSS food and drink from October 2025 and highlighted existing promotion restrictions. While acknowledging that more work can be done, the response did not provide details of further reforms.

In regards to front-of-pack labelling, the government said it will continue to review the evidence . It will also consider with devolved governments whether further action is needed in the future. Additionally, the government will continue to review implications of mandatory reduction and reformulation salt, sugar and calories targets which the committee's report recommended should be legislated. The report reaffirms the government's intention to ban the sale of high-caffeine energy drinks to children under the age of 16.

Furthermore, the response confirms that the Department for Environment Food and Rural Affairs (Defra) is developing an "ambitious" food strategy aimed at tackling obesity, maintaining food security, protecting supply chains, driving investment, and reducing the impact of farming on nature and biodiversity. Further information on the Defra strategy will be published soon.

Overall, while the government acknowledges the need for action in various areas, it stops short of committing to all the specific recommendations made by the committee. Nonetheless, businesses should continue to prepare for the incoming HFSS restrictions coming into effect in October 2025 as well as keeping abreast of developments in regards to the sale of high-caffeine energy drinks.

CAP to revise guidance for less healthy food and drink advertising restrictions

On 13 January 2025, the Committee of Advertising Practice (CAP) published an update on where they are in finalising the guidance for implementing the new restrictions for ads for "less healthy" food and drink (LHF) products coming in from October 2025.

CAP said that the consultation process made it rethink its guidance. The advertising regulator considered that some parts of the previously proposed guidance required revision, particularly relating to brand advertising. CAP has now published and is running a further consultation on the revised guidance, which clarifies that ads may still be restricted by law even if they do not explicitly feature a LHF product. The determination will be based on whether a less healthy product is "identifiable", which will be judged on a case-by-case basis. The consultation closes on 18 March 2025.

Businesses should review the revised guidance and decide whether they wish to respond to the consultation. If these amendments are introduced by CAP then more ads could be classed as promoting an LHF product and thus restricted under the new law.

See the Advertising section for more.

UK deposit return scheme regulations and guidance

Please see Products.

Food law

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Health and Safety

Health and Safety

Terrorism (Protection of Premises) Bill completes committee stage in the House of Lords

On 12 February 2025, the committee stage of the Terrorism (Protection of Premises) Bill concluded in the House of Lords after four days of debate. While no amendments to the bill were agreed during the committee stage, concerns were raised over aspects of the bill, notably over the duties that it would place on smaller, non-enhanced premises and one-off temporary events run by volunteers. Concerns were also raised around the accessibility and cost of training in relation to the duties under the bill, and how the government would ensure that training providers were of an appropriate standard.

Proposed amendments included raising the threshold for standard duty premises and the introduction of statutory exceptions for certain community events. While these amendments were not passed, it is clear that concerns remain over the extent of the regulatory burden on small businesses and community groups, which are likely to be raised again as the bill continues its passage through Parliament.

The report stage for the bill is scheduled for 4 March 2025.

HSE questioned by the Work and Pensions Committee

The Health and Safety Executive (HSE) was recently questioned by the Work and Pensions Committee on its current work. The regulator was asked about various areas, including inspections, recent restructuring, decline in productivity, its role as the Building Safety Regulator and the use of AI.

Regarding the decline in productivity over the past few years, the HSE informed the committee that it has been struggling with the ratio of inexperienced to experienced inspectors. Productivity fell as experienced inspectors focused on mentoring and training new recruits. However, the recent restructuring of the regulatory division aims to improve efficiency and effectiveness in criminal investigations and regulatory inspections. Due to ongoing resource and finance constraints, the HSE is striking a balance between proactive inspections and responding to complaints, driven by prioritisation and resource allocation.

The HSE commented that the Building Safety Regulator faced "teething troubles" but is making progress in reducing application processing times.

The committee closed the session by asking the HSE about AI and its use in this space. The HSE stated that businesses using AI need to understand the hazards posed and address associated health and safety risks in the same way they would with any other risk.

The full recording of the session can be found here.

Overall, it was evident from the session that the HSE is still grappling with resource and financial constraints, which have ultimately affected its productivity. However, the HSE is working to improve this, and with the recent restructuring, it seems they are taking steps to ensure appropriate enforcement action is taken where necessary.

Government's response to the Grenfell Final Report

On 26 February, the deputy prime minister addressed parliament in response to the recommendations of the Grenfell Final Report. Simultaneously, the government published its formal written response to that report.

The government will adopt all 37 of the recommendations that were directed at it, including:

- The creation of a **single construction regulator and a chief construction advisor**. The regulator will deliver all of the functions specified in the report with two exceptions: testing and certification of construction products and the issue of certificates of compliance will not be undertaken by that regulator to avoid a conflict of interest by policing its own compliance. Concerns have already been voiced that this means testing and certification will

remain a function carried out by private companies, despite major criticism of this system in the inquiry's report.

- Reform of the **construction products regulation system** (see more on the green paper, also published on 26 February, below). New powers under the new Procurement Act will be used to investigate Arconic, Kingspan, SGCP UK Ltd (the then owners of Celotex) and four other firms to decide whether they should be debarred from the public procurement regime.

- Further plans for the ongoing review of the **definition of Higher Risk Buildings (HRBs)** will be set out this summer.

- As previously announced, a **reform of statutory guidance to the building regulations**, particularly Approved Document B, with interim findings published in summer 2025 and a full list of recommendations in 2026.

- Independent panel to **review the building control sector** and whether the function should be performed by a national authority.

- Measures to improve the **competence** and professionalism of those involved in building safety, including fire engineers, fire risk assessors and building control professionals.

- Greater **regulation and certification requirements for professionals**: fire risk assessors will be required to be certified, there will be new requirements for principal designers, consideration of a licencing scheme for principal contractors on HRBs and consideration of the regulation of the fire engineer profession.

- A statutory requirement that senior managers of **principal designers provide a statement to confirm** in their application for building control approval that they have complied with their existing duties and consideration of whether this should apply to all building control, not just HRBs.

- Implementing a new residential personal emergency evacuation plan policy to improve the fire safety and evacuation of vulnerable and disabled residents in high-rise and high-risk residential buildings.

- Bringing fire safety functions under a **single government department** (see more below).

The government will publish quarterly reports on its progress and update parliament annually, with a publicly accessible record of progress against all of the inquiry's recommendations.

Changes will be brought in a phased approach, with the initial stage focusing on delivering its current programme of regulatory reform. From 2026-2028 the government will develop proposals to deliver recommendations and wider reform, including through legislation. From 2028 onwards, it will implement these reforms.

UK government take first step in implementing recommendations from Grenfell Tower Inquiry Phase 2 Report

The prime minister, Keir Starmer, has announced that the Ministry of House Communities and Local Government (MHCLG) will be taking over from the Home Office to lead on fire safety. This follows one of the recommendations set out in the Grenfell Tower Inquiry Phase 2 Report which raised concerns that "arrangements under which the construction industry was regulated had become too complex and fragmented". The Phase 2 Report recommended a more unified approach to fire safety compliance by bringing these responsibilities under a single government department.

At the time of the fire, as well as the Home Office having oversight for fire and rescue services, the Department for Business, Energy and Industry Strategy was responsible for regulating products and the MHCLG was responsible for building regulations and statutory guidance.

Health and Safety

It is hoped that bringing oversight for fire services within the same government authority that issues building regulations and statutory guidance (the MHCLG) should assist businesses, by providing a joined-up approach to building regulations and their connection to fire safety risks.

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Modern slavery

Modern slavery

Joint Committee on Human Rights run inquiry into forced labour in global supply chains

The House of Commons Joint Committee on Human Rights held a new inquiry into forced labour in global supply chains. This follows on from the UK Parliament's Modern Slavery Act Committee report on the Modern Slavery Act 2015 which found the UK to be falling behind other nations. This new inquiry follows on from the government's response to the previous report where it recognised that it needed to conduct a review of both legislative and non-legislative measures to tackle forced labour and increase transparency in global supply chains. The inquiry will review whether these measures are effective or if changes are required.

Questions put forward by the inquiry included whether the obligations created by the Modern Slavery Act 2015 are effective in preventing goods with international supply chains linked to forced labour being sold on the UK market. It asked whether public procurement attracts a higher risk of exposure to forced labour. It also raised questions around enforcement and whether the UK should consider implementing elements of other international legislation, such as the EU's Forced Labour Regulation and the Corporate Sustainability Due Diligence Directive. The inquiry closed on Friday 14 February.

While the government's previous response to the report on the effectiveness of the Modern Slavery Act 2015 indicated that reform was not a short-term priority, this new inquiry demonstrates a commitment to exploring necessary changes in this area. It will be interesting to see the evidence gathered from stakeholders and how the government plans to address the findings of the inquiry.

Independent Anti-Slavery Commissioner Strategic Plan 2024-2026 published

On 11 February 2205, the Independent Anti-Slavery Commissioner (IASC) published its Strategic Plan for 2024-2026. The plan highlights that in 2023 there were 17,0004 potential modern slavery victims in the UK, which is the highest ever number of potential victims identified.

The plan sets out three primary objectives which guide its actions: preventing modern slavery and re-victimisation, protecting victims, and prosecuting offenders and supporting victims through the criminal justice system. As part of the first objective, the IASC plans to "make prevention everyone's business" and push for mandatory human rights in supply chain due-diligence obligations to be implemented in the UK, as well as pressing the government to strengthen its policy response to forced labour in domestic and global supply chains. The plan refers to the recommendations made in last autumn's House of Lords select committee report, which stated that the current government should revisit the previous government's Modern Slavery Bill, which would mandate the content of statements and introduce proportionate sanctions for non-compliance, and would introduce mandatory due diligence for human rights in supply chains.

The plan also covers provisions for the supply chains of public bodies. The IASC states that it will "encourage public bodies to voluntarily emulate the transparency of supply chain provisions that modern slavery legislation across the UK requires of businesses" as well as supporting and monitoring the implementation of the December 2023 review into risk of modern slavery and human trafficking in NHS supply chains.

Given recent Parliamentary committees examining the effectiveness of the Modern Slavery Act (see our previous Regulatory Outlook) and the recent inquiry into forced labour in global supply chains, it will be interesting to see whether the government considers these recommendations.

Competitiveness Compass for the EU aims to simplify ESG regulation

Please see ESG.

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Modern slavery

Products

Products

Jump to: General / digital products | Product sustainability | Life Sciences and healthcare

General / digital products

UK

Update on the Product Regulation and Metrology Bill

The government has now submitted its amendments to the Product Regulation and Metrology Bill following the committee stage. Amendments include a provision allowing for parliamentary scrutiny when diverging or aligning with EU regulations, an amendment clarifying that intangible components of products include software, and introducing a review panel who would review regulations introduced under the act that align with foreign laws.

The full list of amendments can be found here. These will be debated at the report stage, which had been scheduled for 26 February.

New age verification rules for online retailers selling knives

The Home Office is set to introduce new measures for online retailers selling knives which will require them to implement a two-step age verification process. Under the new rules, customers will be required to submit photo ID, as well as proof of address, at the point of sale and show their ID again when the product is delivered. Delivery drivers will not be allowed to leave a parcel containing a knife when no one is in and can only deliver the parcel to the same person who purchased it. The measures will be set out in the Crime and Policing Bill which is expected to be introduced to Parliament by spring.

The government has also announced that increased penalties will be introduced for selling weapons to under 18s from 6 months to up to 2 years prison time, which the government's press release notes "could apply to an individual who has processed the sale or a CEO of the company".

Reforms to the regime for regulating construction product safety

On 26 February, Angela Rayner announced the new green paper on reforms to the construction product safety regime. This consultation seeks comments on a range of proposals for reform, including proposals that address the Grenfell Inquiry's recommendations (see the Health and safety section for more). It also serves as the government's response to the Independent Review of Product Testing and Certification (the Morrell-Day Review).

The proposals include:

- A general safety requirement to capture the two-thirds of construction products that currently sit outside of the existing regulations.
- Making all manufacturers responsible for assessing safety risks before marketing them, with civil and criminal penalties for manufacturers who mislead buyers or neglect their responsibilities and improved legal routes for individuals to seek redress for defective products.
- Alignment with the revised European Union construction products regulation to ensure consistency and support trade.
- Requirements for clear, accessible labelling and product information, with a construction library to provide a central repository for vital product information and potentially digital product passports to provide information about products.
- Regular audits and inspections of third-party certification schemes by the national regulator to evaluate their adherence to the proposed standards.

- The regime will not be nationalised, as recommended by the inquiry, to avoid the government marking its own homework (see above).

Responses are sought by 21 May 2025.

OPSS conduct review of the fire safety of domestic upholstered furniture

The Office for Product Safety and Standards (OPSS) has published a policy paper on updating the Furniture and Furnishings (Fire) (Safety) Regulations 1988 (FFRs). The government acknowledges that the FFRs are outdated and hinder innovation and the circular economy. The paper outlines the OPSS's plans for regulatory reform, coinciding with the Product Regulation and Metrology Bill. It highlights necessary changes, including defining responsibilities. These reforms would include clear duties for manufacturers, importers and suppliers; product compliance requirements such as support of the reduction of chemical flame retardants; information provision such as improving traceability information; reupholstery and second-hand product regulations; better understanding of the implementation and enforcement of FRRs; and the introduction of a five-year review clause in new regulations.

Immediate changes being introduced are:

- The removal certain baby and children's products from the scope of the FFRs to reduce exposure to CFRs.
- Eliminate the requirement for manufacturers to affix a display label to new products.
- Extend the time frame for commencing legal proceedings from six to 12 months.

Guidance on implementing these changes will be published soon.

New guidance for device manufacturers on forensic visibility

The National Cyber Security Centre has published guidance on digital forensics and protective monitoring specifications for producers of network devices and appliances. The guidance, aimed at network defenders, also encourages device manufacturers to include the digital forensics set out in the guidance so network defences can more easily detect malicious activity.

EU

European Commission's toolbox for safe and sustainable e-commerce

On 5 February 2025, the European Commission published a toolbox outlining actions it intends to take to ensure safe and sustainable e-commerce. Some of the key measures are as follows:

- Will **remove the €150 duty exemption** for direct-to-consumers imports and introduction of a simplified tariff treatment for low-value consignment, charging of an handling fee on e-commerce items, increased responsibilities for online marketplaces under the "Import One Stop Shop".
- Confirms that the **working plan under the Ecodesign for Sustainable Products Regulations**, which will determine priority products to be regulated, which will include textiles, will be published in April 2025.
- Commission intends to call on legislators to swiftly **adopt the revised Waste Framework Directive** which will introduce EPR for textiles and footwear (see the sustainable products section below for an update on this).
- Will propose a **Circular Economy Act** to further develop extended producer responsibility requirements (this was also set out in the competitiveness compass as outlined above).
- Will explore ways to ensure effective **prohibition of the destruction of certain consumer products** and application of related transparency obligations, also focusing on re-use or recycling of counterfeit goods.
- Will launch a **Special Coordinated Activity on Safety of Products** to improve cooperation between market surveillance authorities and customs, test agreed categories of products sold online, jointly assess risks, and identify appropriate measures.
- In the **second quarter of 2025**, the Consumer Safety network will carry out its first **product sweep** to check and enforce compliance of the products categories frequently sold online, **focusing on the completeness of safety**

information in a product listing (including the details of the EU responsible person and on the detection of products already notified to the Safety Gate).

- Will prioritise the implementation of the **Digital product Passport (DPP**) and will also seek to propose re-using the DPP system in other policy areas, using it as an entry point for further product-specific information and documents such as conformity certificates.
- The Commission will provide market surveillance authorities with **new AI-enabled web crawlers**, noting that by mid-2025 another web crawler will be available for automated searches of potentially non-compliant products on online marketplaces.

Evidently, the European Commission is taking significant steps to crack down on non-compliant products, and businesses operating within the EU should stay informed and prepared for these upcoming changes.

Proposed EU AI Liability Directive to be withdrawn

Please see Artificial Intelligence.

Product sustainability

UK

UK deposit return scheme regulations and guidance

The Deposit Scheme for Drinks Containers (England and Northern Ireland) Regulations 2025, which establish a deposit return scheme (DRS) in England and Northern Ireland, were made on the 23 January 2025 and came partially came into force on 24t January. They will come fully into force on 1 October 2027.

The government has published new guidance on the DRS. The guidance outlines the drinks containers in scope of the scheme (single-use closed bottles and cans made from polyethylene terephthalate plastic, steel or aluminium that contains between 150 millilitres and 3 litres of liquid), the responsibilities of suppliers, producers and retailers, and information on the deposit management organisation (which will be appointed in April) and enforcement authorities.

Businesses should review both the guidance and regulations to understand their obligations and what they should start to do to prepare.

It has also been reported this month that Wales is still planning to go ahead with its own scheme, which will include glass. A date of when the Welsh DRS will commence has not been confirmed, but consultation is expected to launch over the summer. Those businesses operating in Wales should keep abreast of the developments with the Welsh DRS and engage with the government where appropriate.

Digital waste tracking delayed to 2026

The Department for Environment Food and Rural Affairs (Defra) has recently provided an update on its digital waste tracking (DWT) project, which aims to establish a single, centralised electronic system for tracking the amount and type of waste produced and its final destination. DWT will impact how businesses records and report their waste data. Originally, the scheme was due to come into effect this April. Defra has now confirmed that DWT will be in place from April 2026 in order to allow businesses enough time to prepare.

Simpler recycling rules come into effect next month

From 31 March 2025, the Separation of Waste (England) Regulations 2024 will start to apply and will legally require businesses and relevant non-domestic premises in England to separate their recyclable waste, with the exception of garden waste. Businesses will be required to separate their waste into three streams: dry recyclable materials (plastic, metal, glass, paper and card); food waste; and black bin waste (residual waste).

Products

The Separation of Waste (England) Regulations 2025 were made on 10 February 2025 and introduce two exemptions to the requirement under the Environmental Protection Act 1990 (EPA 1990) for recyclable waste to be separately collected in order to be recycled or composted.

The first exemption allows plastic, glass and metal recyclable waste streams to be collected together while paper and card must still be collected separately by default (unless another exemption applies). The second exemption allows micro-firm entities with fewer than 10 full-time equivalent employees to be exempted from the requirements in sections 45 AZA and 45EZB EPA 1990.

Businesses need to ensure that they have implemented the necessary changes in all premises to ensure compliance with these new measures. See our previous Regulatory Outlook for more.

EU

European Parliament and Council provisionally agree new rules on textile and food reduction

On 19 February 2025, the European Parliament and Council reached a provisional agreement to amend the waste framework directive, aiming to reduce textile and food waste across the EU.

Most notably, the agreement introduces harmonised rules on the extended producer responsibility of textile producers and fashion brands. This means that these businesses will be required to pay a fee to help with waste management costs, making them responsible for their waste in line with the "polluter pays" principle. Additionally, the provisional agreement allows Member States to modulate fees according to the longevity and durability of textile products in a bid to address fast-fashion practices by encouraging the production of longer-lasting items. The schemes are expected to be introduced 30 months after the entry into force of the directive. The amendment also sets specific targets for reducing food waste by 2030.

The provisional agreement now needs to be endorsed by both the Council and Parliament. Once formally adopted, Member States will have up to 20 months to transpose the changes into national legislation.

It is crucial for businesses to stay informed about the progress of this amendment, the expected introduction timelines, and when they will be required to pay the relevant fees.

Competitiveness Compass for the EU

On 5 February 2025, the European Commission published a communication on a "competitiveness compass" for the EU. The communication sets out proposals for the next five years of what the EU needs to do to "regain its competitiveness and secure its prosperity" and includes a measures that the Commission will be taking in relation to product sustainability.

- **Review of CBAM:** In 2025, the Commission will explore extending Carbon Border Adjustment Mechanism (CBAM) scope and measures to address export impacts, applying the new definition of small mid-caps to reduce the number of smaller companies being caught.
- **Revision of REACH Regulation:** The regulation on REACH (registration, evaluation, authorisation and restriction of chemicals) aims to simplify and expedite decision-making on important hazards.
- **Encouraging demand for low-carbon products:** The aim is to achieve this through benchmarking, labelling, mandates, public procurement preferences or financial incentives.
- **Chemicals Industry Package:** To be published at the end of 2025, the package focuses on industry competitiveness, human health, environmental protection and critical chemical supply.

- **Circular Economy Act proposal:** Planned for 2026, the legislation aims to promote recycling, substitution of virgin materials and reduction of landfilling and incineration.
- **Prohibition of destruction of certain consumer products:** The exploration of effective prohibition and related transparency obligations will focus on the reuse or recycling of counterfeit goods.
- **Platform for joint purchase of critical raw materials:** This will aim to identify EU industry needs, aggregate demand, and coordinate joint purchases.

Businesses should keep on top of these developments to assess the impact they may have on them.

Sustainable Batteries Regulation guides on removing and replacing portable and LMT batteries

The Sustainable Batteries Regulation introduces a provision on the removability and replaceability of portable batteries and light means of transport (LMT) batteries. From 18 February 2027, products with portable batteries must be designed so that the batteries are readily removable and replaceable by the end user during the product's lifetime. Some narrow exclusions apply for products designed for use in water and certain medical devices that can only be removed by an independent professional.

The Commission has published guidelines to assist with the application of this provision, including the types of tools that fall within the category of "commercially available" to disassemble the product, information on independent professionals, and safety considerations that need be taken into account.

While the provision does not take effect for another two years, businesses should start reviewing the design of their products and what changes need to be made in order to comply with this incoming requirement.

EU Packaging and Packaging Waste Regulation enters into force

The Packaging and Packaging Waste Regulation (PPWR) entered into force on 11 February 2025 and will apply from 12 August 2026. Article 67(5), however, which concerns an amendment to the directive on single-use plastics to ban polystyrene cups, will apply from 12 February 2029. The PPWR will introduce a requirement for all packaging placed on the EU market to be recyclable by 2030, plastic packaging to contain a minimum percentage of recycled content, PFAS (per- and polyfluoroalkyl substances) restrictions for food contact materials, and a harmonised labelling system for sorting and disposal of waste. See our Insight for more.

The European Commission has also published a notice on the application of the PPWR in Northern Ireland under the Windsor Framework. The notice confirms that the PPWR will apply to Northern Ireland, except for the following provisions which fall outside the scope of the Windsor Framework:

- Article 23 - Information obligations of packaging waste management operators.
- Articles 29-33 – provisions relating to reuse targets, refill obligations for the takeaway sector and reuse offer obligation for takeaway sector.
- Article 34 and Article 56(1)(b) – provisions in relation to plastic carrier bags.
- Articles 41-55 – provisions on extended producer responsibility, deposit return schemes, and recycling targets.
- Paragraphs 1(a), 1(c) and 6 of Article 56 – provisions relating to data required to be reported to the Commission.
- Articles 57 – provisions requiring member states to establish packaging databases.
- Article 63 – provision on green public procurement.

Life sciences and healthcare

MHRA launches refreshed UK-wide Innovative Licensing and Access Pathway

The Medicines and Healthcare products Regulatory Agency (MHRA) launched its refreshed UK-wide Innovative Licensing and Access Pathway (ILAP) on 30 January 2025. The ILAP is a pre-market pathway for developers and is "to help get

transformative new medicines to patients in the NHS in the shortest time possible." Changes to the ILAP include, among others, improved quality bespoke services through more selective entry and dialogue between the ILAP partner organisations and the developers, a single point of contact for each product, and predictable delivery timelines.

The chief executive of the MHRA, Dr June Raine, said: "“This new ILAP is clearer, more streamlined and joined up than its predecessor, making the UK a more attractive place to develop and launch innovative products and, most importantly, helping to get transformative medicines to the patients who need them in the shortest possible time." She added that it "is a great example of how collaboration with our healthcare partners, industry and patients can help us refine and refresh our services and deliver world-leading services for the benefit of public health.”

The ILAP is open to both commercial or non-commercial developers, whether UK based or global, and applications open in March 2025. Developers of innovative medicines should review the new ILAP and consider whether they wish to apply.

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Regulated procurement

Regulated procurement

The Procurement Act goes live!

The Procurement Act 2023 came into force on 24 February 2025 and applies, from this date, to new procurements commenced by contracting authorities for above-threshold contracts. To help you navigate the changes, we have produced a series of webinars, Insight articles checklists and infographics, all of which can be found on our microsite.

Government publish new National Procurement Policy Statement

The government has published its new national procurement policy statement (NPPS) for contracting authorities. The NPPS outlines the government's strategic priorities and how these can be supported by public procurement. The new statement focuses on three main areas: driving economic growth, delivering social and economic value, and building commercial capability. See our Insight for more.

New procurement policy statements

The Cabinet Office, in order to support effective implementation of the new NPPS, has published two new procurement policy notes (PPN) on small and medium-sized enterprises (SMEs) and voluntary, community and social enterprises (VCSEs) procurement spend targets (PPN001) and on social value in the award of contracts (PPN002).

The first policy note aims to help authorities meet the government's strategic priority of giving SMEs and VCSEs a fair chance at public contracts. All central government departments (including executive agencies and non-departmental public bodies) must set a three-year target for direct spend with SMEs from 1 April 2025 and a two-year target for direct spend with VCSEs from 1 April 2026 – and report results annually.

The second note requires in-scope organisations (all central government departments, executive agencies and non-departmental public bodies) to take account of social value in the award of public contracts by using its social value model. They must apply this to procurements commenced under the Procurement Act 2023 on or after 1 October 2025. For procurements started before this date, organisations can choose to apply this policy note or continue using PPN 06/20 to take account of social value during the transition period. As with PPN 06/20, PPN 002 outlines that social value must be given a minimum 10% weighting of the total score. As with other PPNs, other contracting authorities may also choose to apply the approach set out in this PPN.

The Cabinet Office has also reissued all other PPNs ahead of the Procurement Act 2023 going live. In an email update, the government confirmed that these updates do not change existing policy or require new actions and are simply to align to the Procurement Act 2023.

Final government guidance under the Procurement Act 2023 published

The Cabinet Office has published the final two pieces of guidance under the Procurement Act 2023: Electronic Invoicing and Payment and Payments Compliance Notices.

Public procurement is at the core of the government's new AI opportunities action plan

The government's new action plan for artificial intelligence (AI) opportunities places public procurement at its core, urging a unified approach across the public sector to scale effectively AI innovations. It proposes a long-term strategy for AI infrastructure, including AI growth zones and a 10-year investment plan. See our Insight for further details on the plan.

In most cases, every "contracting authority" (for example, every local authority, NHS trust and utility) has autonomy in what it procures and how it procures it. This can make it difficult for new innovations to be rolled out at scale. But as highlighted in the paper, the only way to deliver progress on the scale envisaged is for the public sector as a whole to adopt a more joined-up approach to procuring the best innovations.

While there have been plenty of isolated examples of AI being used to incredible effect in the public sector over the last couple of years, there are relatively few examples of AI innovations being procured at a national level. The plan

addresses this head on with some bold aims for public procurement. For it to work, it will need real buy-in from public sector bid teams across the breadth of public services. This is what the report means when it says, in the opening lines, that putting the plan into action "will require real leadership and radical change, especially in procurement".

AI playbook issued for the UK government

The Cabinet Office has published a new AI playbook for the UK government. From a public procurement perspective, there is a clear push for contracting authorities to utilise existing Crown Commercial Service frameworks, dynamic purchasing systems and Memorandums of Understandings to procure AI. Suppliers should make sure they understand these existing procurement routes and keep an eye out for new standalone procurement opportunities.

Court of Appeal clarifies when a contracting authority can seek clarification on tender errors

The Court of Appeal has allowed an appeal brought by Optima Health, overturning a recent decision that the Department for Work and Pensions (DWP) had acted lawfully in disqualifying Optima from a procurement process.

Optima's bid was rejected for being non-compliant with the DWP's requirement not to bid in excess of maximum unit sums in the framework agreement's pricing schedule. These errors in Optima's bid had an impact of just 0.02% on the evaluation of price, something which the DWP did not seek clarification on. Had it not been for these errors, Optima would have been the winning bidder, having scored the highest for quality. The High Court ruled that the DWP had acted lawfully, finding that its invitation to tender (ITT) clearly indicated that bids exceeding the framework maximum prices would be excluded. It also concluded that the DWP was not obliged to seek clarification from Optima regarding the errors and that seeking clarification would have breached the principle of equal treatment, as it would have unfairly benefited Optima over the compliant bidder.

Optima appealed the decision, raising the following issues: did the DWP's ITT include a mandatory exclusion clause and was the DWP was entitled to seek clarification of the errors in Optima's bid? The Court of Appeal allowed the appeal, finding that the ITT did not contain a mandatory exclusion provision and that the DWP was obliged to seek clarification regarding the amounts in Optima's price schedule. In regards to seeking clarification, the Court of Appeal argued that the High Court judge failed to properly consider the principle of equal treatment and that, due to the errors being obvious and material, seeking clarification would not have breached the principle of equal treatment. It also concluded that disqualifying Optima was irrational and disproportionate due to the quality of their bid being much higher than others and the errors having very little impact on the overall tender evaluation.

This ruling by the Court of Appeal will be of interest to both suppliers and contracting authorities as it clarifies when bidders can lawfully be excluded from a procurement. See our Insight for more.

English High Court lifts automatic suspension on £4.4bn NHS logistics service contract

The High Court has lifted an automatic suspension in relation to a £4.4bn NHS logistics service contract awarded by Supply Chain Coordination to GXO Logistics UK.

The judgment in *Unipart Group & Anor v Supply Chain Coordination* [2025] dealt with several claims brought in relation to the procurement by unsuccessful bidders Unipart Group, DHL Supply Chain and Wincanton Holdings.

The court applied the test in *American Cyanamid* to determine whether to lift the automatic suspension, which includes consideration of whether damages are an adequate remedy for the claimant or defendant, and where the balance of convenience lies. It is typically difficult for commercial providers to demonstrate that damages are not an adequate remedy.

While the court considered that damages would be an adequate remedy for DHL Supply Chain, it found that damages would not be an adequate remedy for Unipart due to the prestigious and high-value nature of the contract, Unipart's position as the incumbent provider, its smaller market presence and the complexity of calculating potential losses. The court noted that Unipart had only just crossed the threshold on the adequacy of damages.

Despite this, it held that damages also would not be an adequate remedy for Supply Chain Coordination and that the balance of convenience lay in lifting the suspension, as delaying the new contract would significantly impact its broader modernisation programme, which is critical for the NHS.

The outdated infrastructure based on a system known as RESUS faced increasing risks of failure, and the new contract was integral to addressing these systemic risks. Given the significant public interest in progressing the modernisation programme and ensuring the stability of the NHS supply chain, the High Court concluded that the balance of convenience favoured lifting the suspension. Consequently, Supply Chain Cordination's application was granted, allowing the new contract to proceed with GXO Logistics UK Ltd as the winning bidder.

Government's response to the Grenfell Final Report
On 26 February, the deputy prime minister addressed parliament in response to the recommendations of the Grenfell Final Report. Simultaneously, the government published its formal written response to that report. Within this, the government announced that it will use new powers under the new Procurement Act to investigate Arconic, Kingspan, Celotex and four other firms to decide whether they should be debarred from the public procurement regime. For more on the report see the Health and Safety section.

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Sanctions and Export Control

Sanctions and Export Control

OFSI publishes financial services threat assessment report

The Office of Financial Sanctions Implementation (OFSI) published its financial services threat assessment report, outlining the threats to sanctions compliance involving UK financial services firms and related professional service providers.

The report aims to help assist firms take a risk-based approach to compliance by providing information on suspected sanctions breaches. The assessment focuses on transactions handled by financial or credit institutions, including banks and non-bank payment service providers.

Common compliance issues noted by OFSI include "substantial delays" in identifying and reporting suspected breaches, improper maintenance of frozen assets, breaches of OFSI licence conditions, as well as inaccurate assessments of ownership and UK nexus.

The report demonstrates OFSI's commitment to investigate breaches of financial sanctions and follows its pledge under its "Economic Crime Plan 2" to publish sectoral sanctions threat assessments, in order to support the industry in their implementation and compliance efforts (see our previous Regulatory Outlook).

OFSI looks to strengthen collaboration with US counterpart OFAC

The Office of Financial Sanctions Implementation (OFSI) and the US Department of the Treasury's Office of Foreign Assets Control (OFAC) published a memorandum of understanding (MoU) with the aim of strengthening their collaboration in implementing and enforcing sanctions.

The MoU codifies the organisations' arrangements including on information sharing, conducting coordinated investigations and training. The memorandum marks the two-year anniversary of OFSI and OFAC's enhanced partnership in global sanctions implementation. See our previous Regulatory Outlook for further details.

OFSI issues general licences

OFSI issued the following general licences:

- General Licence INT/2025/5632740, permits payments of up to £350 per month to be made to or for the benefit of designated persons for the purposes of making permitted payments for basic necessities, for up to two months. The general licence takes effect from 15 January 2025 and is of indefinite duration.

UK sanctions strategy inquiry

The Foreign Affairs Committee has launched a call for evidence seeking views on whether Parliament should be given greater insight into the UK's sanctions policy and how this can be effectively implemented.

This follows changes post-Brexit, where Parliament no longer receives prior information on new UK sanctions from the government. Previously, Parliament had a more substantial role in scrutinising autonomous sanctions implemented by the UK through being given information on new EU sanctions before their adoption.

The inquiry aims to assess how Parliament can conduct scrutiny of the Foreign, Commonwealth and Development Office's sanctions regimes, the appropriate consultation stages, and how scrutiny can improve the effectiveness of sanctions.

The deadline for written submissions is 17 March 2025.

Commons issues briefing papers on Russia sanctions

The House of Commons published two research briefings on the Russia sanctions regime.

Sanctions and Export Control

The first briefing contains details of countries that are considered to be supporting Russia's invasion of Ukraine through providing military support to Russia. The House of Commons Library highlights Belarus, Iran, North Korea, and China and sets out the UK, EU and US sanctions imposed against them.

The second briefing provides an overview of UK sanctions against Russia from February 2022 to January 2025. It gives a helpful summary of the government's purpose for imposing sanctions against Russia, the sanctions the UK has imposed, how the UK has coordinated its sanctions with countries in the G7, EU and the US, as well as links to suggested reading that discusses the effectiveness of sanctions against Russia.

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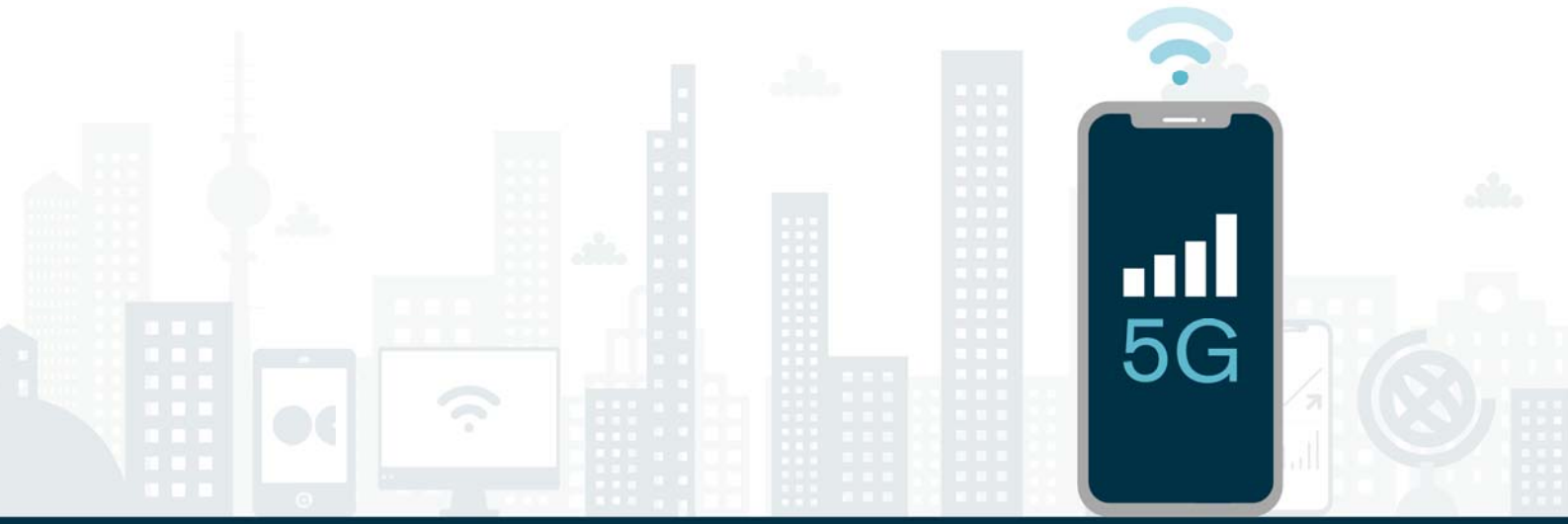

Telecoms

Telecoms

PRS issues general demand for information

The new premium-rate services (PRS) order came into force on 1 February, with Ofcom taking over responsibility for its day-to-day regulation from the Phone-Paid Services Authority (PSA).

Ofcom published a general demand for information under the PRS order on 3 February, which required network operators to submit information, on an annual basis, regarding their outpayments to PRS intermediaries and merchants.

The obligation applies to network operators whose total outpayments in a relevant calendar year (the calendar year two years prior to the current year) are equal to more than £10,000 exclusive of value-added tax.

If communications providers satisfy this criteria, they will be liable to pay administrative charges calculated using the outpayment figures. Once providers have submitted their responses, Ofcom will issue invoices confirming the amount outstanding.

For the current charging year, the relevant information must be submitted no later than 5pm on **17 March 2025**. For the charging year beginning 1 April 2026, the information must be submitted by no later than 5pm on **28 November 2025**.

Ofcom launches review of alternative dispute resolution in the telecoms sector

Ofcom has published its consultation on the alternative dispute resolution (ADR) scheme for telecoms customers.

In the consultation published on 15 January, Ofcom set out its proposals to reapprove both the Communications Ombudsman and the Communication and Internet Services Adjudication Scheme.

The regulator will look to strengthen the key performance indicators that it sets for the ADR schemes to meet, as well as to reduce the timeframe before consumers can access ADR from eight weeks to six weeks after their initial complaint is raised. It will also look to implement any changes within six months of the publication of its final decision.

The consultation will remain open until **12 March 2025**.

Consultation launched on business-messaging cap

Ofcom has launched a proposal to cap the wholesale prices charges by mobile operators for the delivery of text messages (application-to-person (A2P) SMS). These services are used by many organisations to communicate information such as appointment reminders, parcel delivery details and one-time passcodes. This has created a market worth about £400million a year with more than 20 billion A2P SMS sent in 2023-2024.

The wholesale price of A2P SMS has increased dramatically over the last few years with rises ranging 15% to 75%. Ofcom believes that this is due in part to mobile operators holding significant market powers that, without intervention, will see prices continue to rise significantly.

In order to remedy this, Ofcom is proposing to cap the A2P SMS termination prices charges by mobile operators to Aggregators and to other interconnecting mobile operators. The cap would be set at approximately 1.96 pence per message, increasing in line with inflation.

Consultation on this proposal was launched on 28 January is open for feedback until **8 April 2025**.

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