

Rt. Hon. Sir Mel Stride MP



HOUSE OF COMMONS
LONDON SW1A 0AA

FAO Nikhil Rathi,
Chief Executive,
Financial Conduct Authority.

6th December 2025

Dear Nikhil,

Thank you for your response and for your letter to the Treasury Select Committee. I wanted to follow up to get clarity about how the FCA has come to its decision not to investigate at this time.

I find this decision troubling in light of the FCA's commitment to take assertive action to tackle market abuse and financial crime in its Annual Business Plan 2024/25 and Strategy 2025 – 2030, especially when viewed against the relevant statutory provisions, which I now review.

(1) Unlawful disclosure of inside information

Article 7 of the Market Abuse Regulation (UK MAR) defines inside information as:

“Information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.”

In this case, the information being disclosed related to the financial position of the UK government, the issuer of UK gilts. It was precise (within the legal meaning adopted in the case of *Hannam v FSA* 2014), not public and was foreseeably likely to have a significant impact on the price of a wide range of government and other securities – which, viewed after the event, is what happened when it was reported publicly.

Article 10 of UK MAR states that:

“For the purposes of this Regulation, unlawful disclosure of inside information arises where a person possesses inside information and discloses that information to any other person, except where the disclosure is made in the normal exercise of an employment, a profession or duties.”

In the present case this is what appears to have happened – the Chancellor of the Exchequer, Treasury officials or both disclosed this inside information selectively to the press with the intention of it being reported publicly, in breach of their official duty of confidentiality and hence

other than in the normal exercise of their duties. A clear instance of unlawful disclosure took place on 14th November – see section following.

(2) Market Manipulation

On the separate but related issue of market manipulation, Article 12 of UK MAR states that market manipulation is:

“disseminating information through the media, including the internet, or by any other means, which gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, a financial instrument, a related spot commodity contract or an auctioned product based on emission allowances or secures, or is likely to secure, the price of one or several financial instruments, a related spot commodity contract or an auctioned product based on emission allowances at an abnormal or artificial level, including the dissemination of rumours, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading.”

Prior to the Budget, the Chancellor repeatedly talked about a downgrade to the OBR’s forecast for UK productivity that would make it hard for her to meet her borrowing rules. This fuelled market speculation that income tax and other taxes would be raised at the Budget. To take just one example, on 4th November the Chancellor stated that the UK's productivity was weaker "than previously thought" which had "consequences for the public finances too, in lower tax receipts". But the OBR told the Treasury on 31st October that a downgrade in productivity was offset by changes in other elements of their forecast, so that the Government was on track to meet its main borrowing rule by £4.2bn. The statements made by the Chancellor appear to have been calculated to mislead, by giving a partial view of the inside information to which she had access.

On the evening of 13th November the Financial Times reported that the Chancellor had decided against a widely reported Budget policy of raising income tax rates. In response, gilt yields rose sharply at the open on the morning of Friday 14th, with the 10 year up 0.13 percentage points.

This chronology shows that, on at least 4th November, the Chancellor made a statement that she knew, or ought to have known, was false or misleading and which resulted in artificial price movements (in that they did not result from usual market forces) which adjusted on 14th November when the Chancellor rejected the possibility of an income tax rise, a consequence flowing from the false statement.

These circumstances are strongly suggestive of market manipulation, as confirmed by the following sequence of events where the Treasury sought to create an untrue impression that the OBR had only just made a positive forecast. On the morning of 14th November a series of briefings to the media led to reports that the decision not to increase income tax rates had been made due to new forecasts from the Office for Budget Responsibility which showed an improved outlook for the public finances. For example, Alex Wickham of Bloomberg reported:

“Rachel Reeves received an improved fiscal forecast from her budget watchdog putting the fiscal hole at £20 billion, leading her to drop plans to raise income tax rates, people familiar with the matter said. The latest update from the Office for Budget Responsibility moved in a significantly better direction due to the strength of receipts and stronger wage performance ... An expected productivity downgrade from the OBR has been partially countered, the people said. Reeves will

likely lower income tax thresholds at the budget and raise significant taxes from salary sacrifice schemes, they said. The chancellor was prepared to break Labour's election promise not to raise income tax rates if necessary to fill the hole, but the better fiscal forecast now meant that was not necessary, the people said."

Other journalists such as Chris Mason of the BBC have confirmed they received similar briefings. Professor Sir David Miles, OBR Board Member, told the Select Committee this week in relation to the 14th November briefings:

"I think our concern was that there seemed to be a misconception that there had somehow been some good news. I am not sure where that came from; it did not exist."

These concerns were of sufficient magnitude that the OBR raised them with the Treasury and took the unprecedented step of publishing, after the Budget, details of each round of their pre-measures forecast.

In conclusion, it is apparent that serious incidents of market abuse may have taken place in relation to the recent Budget. I am concerned that the FCA is content to await another differently focused investigation to proceed to its eventual conclusion before deciding whether to use its own powers to investigate the clear possibility of market-moving unlawful disclosure of insider information and market-moving dissemination of false information by the Chancellor or Treasury officials.

You do not need me to remind you of the FCA's own commitment to act against market abuse when you said:

"We are determined to tackle market abuse and insider dealing wherever there is evidence of it whether this is through the courts or our own powers. Those considering attempting to manipulate our markets should be on notice that we will not hesitate to act." (FCA's work on market abuse and manipulation – update 17 June 2022.)

The FCA's unwillingness to act sits uneasily alongside this clear statement of policy, and the need to ensure suitable deterrence against unlawful disclosure and market abuse in the future. I would value your response as to why the information I have outlined does not meet the bar for launching an immediate investigation.

I look forward to your prompt reply.

With best wishes,

The Rt Hon Sir Mel Stride MP
Shadow Chancellor of the Exchequer