UK Finance

UK Finance response to PRA's CP14/25: Amendments to Resolution Assessment threshold and Recovery Plans review frequency

31 October 2025

Introduction

1. UK Finance[1] is pleased to respond to the PRA's [CP14/25 – Amendments to Resolution Assessment threshold and Recovery Plans review frequency].

2. Through a working group, our members have contributed to this Consultation Paper (CP) response alongside our responses to CP15/25 and CP16/25.

3. In this response we focus on the PRA's proposals and provide recommendations in the section below.

Our Recommendations

Threshold Increase

4. We welcome the threshold increase to the £100bn of retail deposits. We also welcome the approach reviewing industry thresholds, and in this case increasing beyond nominal GDP indexation, to support growth and industry.

5. **We continue to have concerns about the growing proliferation of different regulatory thresholds across the sector, which risks creating inconsistent signals to the market and unintended barriers to investment.** It has previously been estimated that there were over **53 distinct regulatory thresholds**[2] in place across the industry as of 2020. We urge the PRA to review the current volume and necessity of such thresholds through the lens of reducing regulatory burden, supporting proportionality, and enabling the regulators' secondary competitiveness and growth objectives. We would be pleased to engage constructively in identifying areas where rationalisation would deliver meaningful benefit.

6. The previous Resolution Assessment threshold of £50 billion in retail deposits aligned with the Bank Capital Stress Test (BCST) and the Leverage Ratio (LR) requirement, providing a coherent set of regulatory markers that supported strategic planning and investor clarity.

7. Since then, the landscape has fragmented, with thresholds now set at:
    - **BCST:** 5% of UK household and business lending (£105bn as of 2024 Q3)
    - **Leverage Ratio requirement:** £70bn in retail deposits
    - **Resolution Assessment Framework (RAF) – CP14/25 Proposal:** £100bn in retail deposits

8. **This divergence introduces uncertainty on business and balance sheet planning, complicating firms' growth strategies. From an investor's perspective, a firm may appear "systemic" in one regulatory context but not in another, creating ambiguity around regulatory expectations and potentially dampening investment appetite — counter to the Government's objective of positioning the UK as a growth-friendly, competitive financial centre.**

9. We therefore strongly recommend that the PRA seeks to streamline the threshold architecture across regimes, reverting to a more consolidated and predictable framework.

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[1] **UK Finance** is the collective voice for the banking and finance industry. Representing over 300 firms, we're a centre of trust, expertise and collaboration at the heart of financial services, championing a thriving sector and building a better society.

[2] **Setting boundaries: finding thresholds in bank regulation – Bank Underground**

A transitional approach to implementation, similar to that adopted for MREL, would also help avoid regulatory cliff-edges and support orderly planning.

10. **We also highlight the different approaches the PRA and Bank of England (BoE)'s Resolution Directorate (RD) take in their fundamental reasoning of a 'systemically significant' firm, adding undue complexity.** The PRA judge this categorisation on the basis of stress testing for example ICAAP (with the BCST threshold of 5% of UK lending), whilst the RD look at the impact of a firm under insolvency (RAF threshold of £100bn of retail deposits). These two approaches should be reassessed and aligned due to the intrinsic link between the case of a firm failing a stress test and their step to resolution. We urge the PRA and RD to take steps to align their definition of systemic significance and consequent approach. An alignment between regulators is crucial to support predictability and stability and is critical for firm and industry investment.

Definitions

11. **We recommend that the PRA clarify:**
    - **the SDDT definition referencing threshold of £20 billion total assets, and the discrepancy of SDDT with the MREL threshold of £25 billion of total assets.**
    - **A definition of a large and systemic firm, with respect to the resolution framework and resolvability, and wider impact to the industry.**

Indexation

12. We welcome the move to index the RAF threshold, highlighting that this good practice and should be employed across industry thresholds.

13. We recommend that the PRA review and index all regulatory framework thresholds on a periodic basis, (for example every 3 years) using ONS and / or OBR data to predict nominal GDP inflation ensuring the indexation is future-proof for when it is implemented. Indexation will allow predictability and consistency for both the regulators and firms, providing clarity and direction for business models.

Other suggestions

Risk based approach

14. We recommend that in a pro-growth environment, the BoE should review how it assesses risk from firm to firm with differing business profiles and strategies. The BoE should consider adopting a bespoke approach to risk tolerance across firms recognising different business models.

15. We argue that a blanket approach to the BoE's resolution risk assessments are not consistent with a pro-growth environment and has the potential to hamper the growth of businesses which operate in alternative lending markets by inappropriately judging a business' risk profile against an incongruent norm.

16. Upon consideration of the BoE's approach to firms' varying risk and business models, we urge greater communication and planning between the bank and firms, outlining proportionate expectations regarding disclosure, reporting and assessment requirements.

Engagement

17. We would be pleased to facilitate any further discussion.

18. UK Finance is content with the PRA publishing this consultation response on its website.

Responsible Executive

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