

Cost of Compliance

(AND MISSED
OPPORTUNITY)



Foreword

How much does compliance cost your firm each year and what are the returns?

It's a big question and one that's difficult for many organisations to answer, not least because compliance spans multiple departments. You need to account for the cost of employing compliance officers, the IT systems and software needed to perform relevant checks and, of course, the mandatory training staff undertake as part of their continuous professional development (CPD).

Regular and effective training empowers employees to make the right decision and stay compliant, including reporting bad behaviours that put the firm at risk.

Yet even with the cost of Financial Conduct Authority (FCA) fines – which [reached a record-breaking £176million in 2024](#) – and the reputational damage that comes with them, Learning and Development (L&D) and compliance professionals are still struggling to get buy-in from the top. In fact, in our most recent [Annual Benchmarking Report](#) less than half said their senior leadership team actively champions their compliance programme.

The impact of this is felt, not only by L&D and compliance teams, but the whole organisation.

The survey found that just over 80% of firms rely on spreadsheets to document compliance and track staff data – a sign of underinvestment. As well as being inefficient, it also heightens the risk of non-compliance due to records being difficult to keep accurate and up-to-date.

Around 58% of respondents told us that manual processes like these are a major obstacle in achieving their compliance goals. And it's happening at a time when many budgets aren't growing in line with inflation nor the increasing demands and scrutiny of the regulator.

In this report, we'll look at what L&D and compliance teams can do to make a business case for compliance – bringing it out of the shadows, so that senior leaders see it as an asset worthy of investment, not simply a cost.

With insights from highly respected compliance experts in the financial service industry, we'll highlight the benefits of building a culture of compliance, and why failing to do so is a missed opportunity to gain a competitive advantage.



Vivek Dodd
CEO and Co-founder
of Skillcast

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Contributors



Katharine Leaman

Katharine has worked in financial services for over 30 years in insurance claims, giving investment advice, regulation and banking compliance. Katharine has been European Head of Regulatory Compliance at Standard Chartered Bank and spent over a decade at the UK's regulator, the FSA (now FCA) in senior policy and supervision roles. Katharine's expertise is in technical areas of the rules such as Market Abuse, CASS, SMCR and Outsourcing. As well as issues that have a broader regulatory focus such as market conduct, non-financial misconduct, conduct risk, operational resilience, and consumer duty.



David Kenmir

David Kenmir has 35 years of regulatory experience, including five years as a Managing Director at the FSA and 14 years as a Risk and Regulatory Partner at PwC. Having retired from PwC last year, he is building a plural career, part of which includes taking on the role of Chair of Skillcast's new Advisory Board and has become an INED at a start-up bank.

David has extensive regulatory experience and has worked with many organisations on the strategic and day-to-day challenges they face. He has broad expertise in Financial Crime, including s166 reviews and Enforcement cases.



Scott Morris

Scott has over 40 years' banking and Compliance leadership experience, acquired across a number of global banking organisations, as well as a regulator and professional body. He has extensive experience in creating and directing large teams across different regions. He has performed senior roles in Compliance, Anti-Financial Crime and COO at Board, Senior Advisor, Managing Director and Executive Vice President levels.



Ed Chedzoy

A Senior L&D Leader with a background of driving individual and team development within the financial services sector, with a strong focus on compliance, regulatory and conduct learning. Well versed in directing functions and holding overall responsibility for leading end-to-end strategy to execution of projects to contribute to the success of people through development of relevant learning initiatives. Genuine passion for developing cross-functional L&D plans and shaping cultures where people can grow and thrive in the working environment.

Where are we now?

Regulation is a fact of life for anyone working in the financial services sector today. Every decision made, from new product development to customer interactions to management of data and IT systems, is governed by strict and regularly changing rules.

It wasn't always like this though. One of the big criticisms of the FCA's predecessor, the Financial Services Authority (FSA), was that its [light-touch approach tended to favour firms and their owners](#). The financial crash of 2007/8 changed the landscape completely, ushering in a new era of consumer protection, set out in the Consumer Duty.

FCA rules are designed to give clarity and confidence to customers, investors and employees, yet it can feel like compliance is a barrier to customer experience and innovation at times.

Technology is making the task easier – automated, including AI-driven, Anti-Money Laundering (AML) and Know Your Customer (KYC) checks, for instance, can detect potential financial crime and reduce the chance of false positives/negatives far quicker and more accurately than a human could. Automating data collection and analysis helps speed up reporting too.

At the same time, we can't ignore the fact that compliance demands an investment of time and resources. Take training for instance – most professionals must complete at least 35 CPD hours per year, which could amount to significant time taken out of the office for conferences. Sometimes, just finding the right information from a library of resources and training materials can slow employees down and make compliance harder to achieve.

"At the end of the day, regulation should be seen as an enabler, something that helps you deliver your customer proposition and commercial strategy without causing issues.

The real challenge is finding the right balance between meeting all the regulator's requirements, which can be extensive, and still being able to run an efficient business, operate profitably, and take calculated risks. It's really about strong governance and managing the tension between commercial goals and customer outcomes."



David Kenmir Chair of Skillcast's advisory board and INED

Getting the balance between innovation and compliance right is particularly challenging in the digital age. While automated checks are speeding up the process, as many as [78% of professionals](#) we surveyed told us they have concerns about data privacy.

As compliance expert Katharine Leaman explains below, the 'fail fast' principle that drives many tech start-ups can be too risky in financial services. Even the most disruptive fintechs still need to have tight controls and test environments in order to minimise risk. AI use, in particular, must be tightly governed to ensure that decisions are transparent and explainable.

"In financial services, the 'fail fast' approach needs careful handling. Firms must understand the risks in their business and manage them properly. Tried and tested technology is often preferred, but with the right support – such as the FCA's Innovation Pathways – firms can safely explore new ideas while keeping strong controls in place."



Katharine Leaman CEO of Leaman Crellin and Skillcast advisory board member.

Most regulated firms want to avoid the business disruption and potential fines associated with non-compliance as well as the 'chilling effect' of lost consumer and investor confidence.

But too many senior leaders still see compliance as more of a cost-burden, which could explain why 40% of L&D and compliance professionals believe their budget will stay the same this year and [6% think it will drop](#). That means nearly half are being asked to do more with less (taking into account inflation).

The government recognises the investments financial services businesses have to make in compliance. It [has pledged](#) to tackle what it describes as 'duplicative and burdensome rules' and 'cut the administrative cost of regulation on business by a quarter'.

What this looks like in practice remains to be seen but it won't mean taking a laissez-faire approach. Rather, by streamlining the rules, firms find it easier to comply helping them to avoid fines, business disruption and loss of confidence.

Big compliance risks

Financial services companies are often at the sharp end of global and domestic instability.

Firms must be vigilant to the rapidly changing threats associated with geopolitical tensions, which finance leaders say [are the biggest risk they face today](#).

Other risks and challenges include crypto (in money laundering, for instance), cyber-attacks, and the increasingly sophisticated tactics adopted by serious organised crime groups to scam customers and hide money.

Exploiting vulnerabilities

Criminals know how to exploit the vulnerabilities in an organisation – in systems and processes or, more accurately, the people responsible for them. Legacy IT systems make it difficult to manage the vast amounts of data firms now hold, nor spot unusual trends because it's siloed in different departments or is too difficult to surface and analyse.

Explaining more, Scott Morris, Senior Adviser at StoneTurn and Skillcast Advisory Board member says:

"Most institutions still don't have full control over their data. This dates back to decades of mergers and global expansion where systems and data weren't properly integrated. In the past, large firms grew by acquiring smaller banks, the so-called 'bulge bracket' banks, but didn't consolidate their data properly, which has stored up problems still being felt today. Linked to that is the use of AI which relies on data to make effective decisions. It's also being used by criminals to ramp up activity and evade the usual checks, while the current geopolitical instability adds yet another layer of unpredictability."

As Katharine Leaman highlights, business change can also leave firms more vulnerable to non-compliance and risk.

"One of the things I see people struggle with is managing business change," she says.

"Firms often focus heavily on regulatory change but may not fully consider all the risks that come with restructuring. Changes to reporting lines, data access, information barriers, and governance can all affect compliance. Overlooking these areas can lead to issues, so it's vital to reassess controls and responsibilities whenever the structure changes."

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Scott Morris

Senior Advisor at StoneTurn and Skillcast
Advisory Board member

Culture of compliance

The FCA has been clear on the link between culture and compliance, and earlier this year, it reiterated the idea that [culture is contagious](#).

That's because healthy positive cultures drive good decision-making, while unhealthy and sometimes toxic ones almost inevitably lead to breaches or at least near-misses. Good processes, monitoring and reporting, transparency, accountability at every level and, of course, regular training to meet requirements and embed key competencies are all part of this.

TV shows like *Industry*, set in a fictional London investment bank, may make it easy for the public to assume toxic cultures are the norm in financial services, despite the reforms that have been made since the financial crash of 2007/8. While malicious individuals, intent on causing damage for their own gain, is a constant risk, firms also need to be on their guard against seemingly low-level insidious behaviours, as Scott Morris explains:

“In my experience, it's usually not one clearly terrible person causing problems. More often, it's a group of people who are each slightly problematic. It's more like several bruised apples, rather than one really rotten one.

“They might not follow certain policies or expectations and the impact of this only becomes clear over time. You have a group of individuals who aren't doing anything outright terrible, at least not yet. But without oversight, those small issues could grow or escalate. In an unhealthy culture, people may take advantage because their environment allows it. Where there are in-built safeguards, including procedures for whistleblowing, they're less likely to engage in risky behaviours.”

The compliance advantage

Making compliance processes more efficient is critical, especially as our [benchmarking report](#) shows that firms need to do more with less.

But how many still see it as something compliance and L&D professionals have to do, rather than something that can help to grow the business?

Our report suggests it's the former, with many still taking a defensive approach.

Around 77% of compliance and L&D professionals we surveyed said that avoiding fines and reputational damage is their primary cost justification for compliance. Some 62% also say it's cheaper than the remediation costs that follow an incident. In contrast, just 26% see it as a competitive advantage: a positive that builds employee, consumer and investor confidence.

Your biggest asset

Staying compliant requires an investment of time and resources – but like any investment, the question to ask is whether or not it delivers value. Avoiding a fine, or winning a significant customer, could alone offset the cost of training and hiring compliance experts. Still, it can be difficult to justify the upfront costs to senior leaders, which may explain why budgets haven't grown.

When making a business case for compliance, it's helpful to consider the following direct – and indirect – benefits.



Direct benefits

- No financial losses due to fines: Avoiding a fine, or a near-miss, isn't down to luck. It's the result of investment in people, including training, and clear processes. You only have to look at the [FCA's list of fines](#) to see how much you could end up paying out.
- No business disruption linked to remediation: What the list of fines doesn't show is the fallout from a breach – including investigations, communications to internal and external stakeholders and the implementation of new processes.
- Avoidance of negative press coverage / reviews / social media posts: A good reputation is hard won and easily lost. A breach can undo all the hard work your marketing team has done in building the firm's brand.
- Positive customer trust and sentiment – which drives sales, retention, loyalty and recommendations. Conversely, if a firm maintains a good reputation, it's more likely to instill confidence among consumers.
- Investor confidence: As part of their due diligence checks, investors will scrutinise firms to ensure they won't be exposed to unnecessary risk.

Indirect benefits

- Talent attraction/retention: A strong reputation is not only a draw for customers and investors, it helps firms to attract and retain the talent they need to innovate and grow. This is becoming even more important as Gen-Z becomes a more dominant voice in the workplace – [research suggests](#) that more than 60% of this generation value company ethics as much as their pay packet.
- Innovation: Employees feel empowered to test ideas and make strong decisions within a clear regulatory framework, which they understand and can apply to real-world scenarios.
- Growth: Good compliance processes and a knowledgeable workforce create a strong foundation for growth – both through customer acquisition, and mergers and acquisitions.

Road to smarter compliance

News that the FCA is adopting a smarter approach to regulation, as well as [reducing its regulatory fees](#) for the first time in over a decade, will be welcome news for firms.

Its latest work programme, published in March 2025, sets out plans to be ‘more efficient and effective’. This includes, among other things, only collecting the data it needs to achieve its objectives, and encouraging firms to use the newly launched single sign in to view all their regulatory tasks in one place.

In its own words, the FCA wants to reduce the ‘regulatory burden’ facing firms. With the Consumer Duty now in place, it’s keen to streamline existing rules and processes, and avoid adding new ones. By making it easier for firms to meet their regulatory requirements, the big compliance risks we outlined earlier should be greatly reduced.

In practice

The digitisation of financial services has already helped firms make their processes – including compliance – more efficient. Real-time data insights and automation, available via cloud software, enables them to make better decisions and reduce error due to manual input.

Developments in AI mean they can now go a step further. The technology is increasingly being applied to compliance processes, like transaction monitoring and KYC checks but what about other areas, like training?

Our benchmarking report found that AI is still an under-used tool in L&D and compliance departments. Around 57% of firms have yet to adopt it and 90% don’t use it in training – so it’s still an untapped resource that could aid efficiency.

Low adoption rates are understandable in a highly-regulated industry, like financial services – firms need to be able to trust the AI to make the right decision and reduce, not increase, risk.

L&D is one of the areas where the application of a trusted AI solution could help to deliver personalised training to employees, depending on their role and needs. It can also be used to help them surface information at the right time to make the right decision.

Compared to the lengthy and generic training courses of the past, some of which were little more than a tick-box exercise, this way of learning is highly targeted, efficient and effective.

“We developed our AI-enabled tool Aida to overcome some of the biggest challenges facing L&D departments and the wider firm. It allows learners to access relevant and engaging modules and tap into the digital learning assistant at any time when they need extra guidance.

We know that nobody can hold all the information they need in their head. Training gives them an understanding of potential situations when they need to apply their knowledge but there will always be times when they need to check the details of a policy. Aida makes this task easier, enabling them to quickly surface relevant detail from trusted sources, including their own internal policy documents.”



Vivek Dodd CEO and Co-Founder of Skillcast

Lightbulb Moment: Empowering people to make better decisions

With regulation becoming more complex, we caught up with Ed Chedzoy, Head of Mandatory Learning & People Capability at Standard Chartered, to find out how the compliance landscape is changing – and what firms can do to ensure training lands.

Have you seen a cultural shift in how financial services institutions approach compliance in recent years?

Yes, I think that most people understand the importance of getting things right and not making mistakes. They're rightly asking more questions rather than blindly doing their own thing and worrying about the consequences later. Not everyone, of course. The world's not perfect and people do make mistakes or act negligently. But attitudes have certainly changed – bad behaviour gets picked up, and people understand the consequences of doing something wrong.

Does that mean compliance isn't seen as a burden anymore?

There's less of that now – but we have to remember it takes time and money to remain compliant. The complexity of regulations today can make it feel like a barrier to innovation at times although people fundamentally recognise their importance.

As L&D professionals, our role is to ensure that people have access to the information and support they need to make good decisions, so it doesn't slow them down significantly.

The word 'tick-box exercise' is sometimes used in relation to training – is that fair?

You need to be able to demonstrate to regulators, auditors, boards and other stakeholders that you've taken the right steps to ensure staff have completed the relevant training and that they understand what's expected. So, as much as we don't like the term – and I'm not a fan myself – there's still very much a need to 'tick the box' in compliance learning. But it's not about completing the training and moving on, people have to understand what's expected of them and know how to put it into practice.



How do you avoid information overload?

The world – and regulations – are changing all the time. You need checks and balances in place but they can also slow people down because they're checking everything at every step.

There's still a tendency to overtrain people, and give them all the information upfront. However, most of us only retain around 10%-15% of what we learn in a single session, so from a pure cost perspective, trying to cram too much into a course isn't going to deliver a good return.



This is why we want to set off the lightbulbs in people's heads

We encourage them to stop and think, to ask questions and then seek out the most relevant information from trusted sources. This kind of active learning helps to create a better culture of everyone doing the right thing.

Our role in L&D is to ensure that training materials are at the right levels and can be easily consumed – that could mean challenging subject matter experts who might want to go into more detail than is needed. Over time, this can help us to be recognised as key decision-makers within an organisation, rather than just order-takers.



How can you understand knowledge levels in an organisation?

Pre-assessments are great because they demonstrate how much knowledge someone has, and whether their previous training was effective or not. It also means they don't lose time taking courses on subjects they already know about – in some cases, a short refresher will be sufficient, or you might need a more targeted campaign around core topics like data security.

How do you measure training success?

There's no magic number, and every organisation needs to determine its own KPIs.

One reason training outcomes aren't properly measured is that they fall under the remit of different teams. In a large organisation, you might have compliance teams and L&D collecting information, and it's not always easy to bring different data sources together.

We can see who's completed a course, and pre-assessments give us an understanding of knowledge levels and training requirements. It's more difficult to assess the indirect benefits – a healthy culture of compliance enhances the reputation of an organisation, and attracts customers and investors. But how do we measure it? One thing to consider is what it means to operate in a highly-regulated market, like the UK. If your employees meet the requirements set out by the FCA, and the firm avoids penalties, market confidence should be higher. It might be expensive to do business in the UK but it comes with a lot of kudos.

We all have different learning styles – how should firms accommodate those?

We've got such a variety of ages in the workplace today, so we need to offer a mix of learning styles. Some might prefer written documents, others like audio books, microlearning courses or gamified solutions – many like a mix. Most people are time-poor though, so shorter the better for engagement and knowledge retention.

Training today is much more tailored to someone's role and the knowledge they need. We're not training them to become a compliance officer – they need enough information to remain compliant but not become stuck on all the regulations. They should receive a good overview, with pointers about where to go and find more information or help, whether that be looking at internal policies, regulator's documents or support from another member of staff.

Conclusion

When it comes to compliance, cutting corners isn't an option – and will only work out costlier in the long run.

It's one thing to be compliant because you have to but using it as a competitive advantage can bring multiple benefits to firms, especially those operating internationally.

As Ed Chedzoy explains, operating in a tightly-regulated country like the UK may be more expensive but it also reassures customers and investors that the business is sound. For FCA-regulated companies, that means ensuring that consumers are treated fairly, and maintaining operational resilience and healthy cultures – all of which take time to create and monitor but should deliver dividends in the long-run.

Compliance stems from the things that are often difficult to measure – the everyday actions and decisions that promote positive behaviours and call out bad ones. This might explain why budgets have remained static for so many teams.

Digital technology – including AI – is already transforming many processes within financial services. Now the challenge is ensuring that AI is a solution to the compliance challenges, enabling professionals to benefit from its advanced decision-making capabilities, without becoming a risk itself. [The Bank of England has highlighted](#) concerns, and our own research suggests there is legitimate nervousness around data privacy.

Knowledge, underpinned by clear and regularly communicated policies, is key to helping teams use AI in a transparent and responsible way that supports compliance, rather than undermines it. Of course, L&D teams will play a leading role in building these competencies, ensuring they become firmly embedded in workplace culture.

But AI is also a highly-effective tool for L&D itself because it allows you to deliver personalised training programmes, tailored to an individual's role or skills requirements, so they're relevant and engaging. Moreover, the technology empowers employees to find the information they need, from trusted sources, so they are fully-equipped to make the best decisions in a complex and rapidly-changing market. Investing in targeted and 'smarter' training methods ultimately enables firms to unlock the long-term value of compliance, so it doesn't simply become a cost.

About Skillcast

Skillcast helps companies build ethical, inclusive and resilient workplaces. It provides content and technology to digitise and streamline compliance processes and manage them from a single compliance portal. Its product range includes a Learning Management System with comprehensive off-the-shelf compliance course libraries, a Policy Hub, Staff declarations, Anonymous surveys, CPD tracking, and Compliance registers for gifts, expenses, PA dealing, and whistleblowing.

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