Building Societies Association

BDO

Non-financial misconduct readiness

BEST PRACTICE GUIDE

AUGUST 2026

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Non-Financial Misconduct Readiness

Practical guidance for member firms preparing for FCA PS25/23, COCON and FIT expectations

August 2026

Purpose of this guide

This guide supports member firms in assessing and strengthening their approach to non-financial misconduct. It brings together regulatory expectations, practical implementation considerations and management decision prompts to help firms build a proportionate, evidence-led and robust framework.

Disclaimer

This guide is intended to support member firms in considering practical steps and good practice in relation to non-financial misconduct readiness. It is provided for general guidance only and does not constitute legal, regulatory or supervisory advice. Members and other readers should refer directly to the FCA Handbook, relevant FCA rules, final notices, policy statements and guidance, which remain the authoritative source of regulatory requirements. Firms should also consider their own circumstances and seek appropriate legal or professional advice where necessary.

Executive summary

Key messages

- Non-financial misconduct should be treated as a regulatory conduct and culture risk, not solely as an employment relations matter.
- Firms should be able to evidence clear ownership, consistent assessment, appropriate escalation, robust record-keeping and meaningful board oversight.
- The strongest frameworks will integrate governance, HR, Compliance, Risk, training, MI and assurance into a coherent operating model.
- Implementation activity should move beyond policy review and test whether decision-making and evidence standards work in practice.
- Firms should also recognise the FCA's boundaries: the changes are not retrospective, COCON and FIT remain separate tests, and firms are not expected to monitor employees' private lives or investigate trivial, implausible or irrelevant allegations.
- The FCA has not created a zero-tolerance conduct regime. Firms remain responsible for exercising judgement and assessing seriousness, context, impact and proportionality.

1. Purpose and regulatory context

The FCA's final guidance on non-financial misconduct was documented in Policy Statement 25/23 (PS25/23) and confirms that serious behaviours such as bullying, harassment and violence can amount to COCON breaches and may be relevant to Fitness and Propriety (FIT) assessments. The guidance comes into force on 1 September 2026 and is intended to help firms make fair, consistent and well-evidenced decisions.

Member firms should therefore treat NFM as a regulatory conduct and culture risk, not solely as an employment relations matter. A strong approach should be proportionate to the firm's size, complexity and risk profile, while demonstrating clear ownership, consistent assessment, appropriate escalation, robust record-keeping and meaningful board oversight.

A key FCA clarification is that the new COCON rule primarily extends COCON to non-banking firms for serious work-related misconduct involving colleagues, where there is a sufficient work-related link. The guidance is also relevant to banks and building societies when interpreting how bullying, harassment or violence may amount to a breach of COCON, but the scope extension itself is most significant for non-banks.

Firms should distinguish clearly between COCON and FIT. COCON focuses on whether particular work-related conduct amounts to a conduct rule breach, while FIT can require firms to consider a broader range of relevant misconduct, including conduct outside work, when assessing honesty, integrity, reputation, competence or capability.

Principle

The objective is not to create a disproportionate or punitive framework. It is to ensure serious concerns are identified, assessed and escalated consistently, fairly and with a clear regulatory lens.

The framework should also avoid over-implementation. Firms are not expected to conduct retrospective analysis of past COCON breach decisions, revise past FIT assessments, monitor employees' private lives or social media, investigate trivial, implausible or irrelevant private-life allegations, or act contrary to privacy, employment or other relevant law.

2. Best practice principles

The following principles provide a practical framework for assessing readiness and identifying priority areas for action.

Governance Clear senior management accountability and regular board or committee oversight.	**Definitions** Aligned definitions and thresholds across policy, training and decision-making tools.	**Regulatory assessment** Integrated HR, COCON, FIT, regulatory reporting and reference considerations.
Fairness Structured judgement, proportionality, confidentiality, independence and wellbeing safeguards.	**Oversight** Meaningful MI covering trends, root causes, outcomes, escalation and remediation.	**Assurance** Controls testing, case review and continuous improvement.

3. Scope guidance

Each scope area below is presented in a consistent format: regulatory expectation, practical implication, good practice actions, management considerations and a readiness check.

3.1 Governance, oversight and accountability

Regulatory expectation: Firms should treat non-financial misconduct as a core conduct and culture risk, with clear senior management accountability, effective board oversight and integration into governance frameworks. Linked to: FCA PS25/23 Chapters 1-3.

Practical implication: NFM is not simply an HR issue. Regulators will expect firms to evidence ownership, escalation, challenge and oversight. Weak or fragmented governance may be viewed as a control failure.

Good practice actions	Management prompts
✓ Ensure the board and executive receive decision-useful MI on NFM trends, outcomes, root causes and remediation. ✓ Allocate clear accountability under SMCR, including Statements of Responsibilities, Management Responsibilities Maps and governance forum Terms of Reference. ✓ Define first, second and third line responsibilities for identification, investigation, decision-making, monitoring and assurance.	• Who has end-to-end accountability for NFM? • Does the board receive effective MI and challenge? • How are HR, Risk and Compliance joined up in decision-making?

✓ Embed NFM within risk appetite, risk taxonomy, escalation processes and internal audit planning.	

Readiness check	Status
Accountable owner confirmed	☐ Not started ☐ In progress ☐ Complete
Board/committee reporting route agreed	☐ Not started ☐ In progress ☐ Complete
Three lines of defence responsibilities documented	☐ Not started ☐ In progress ☐ Complete
Risk appetite and taxonomy updated	☐ Not started ☐ In progress ☐ Complete

3.2 Definitions and scope

Regulatory expectation: Firms should adopt a clear, consistent and sufficiently broad definition of NFM that captures serious behaviours such as bullying, harassment and violence, while recognising the FCA's boundary between work-related conduct, private life and the separate application of COCON and FIT. Linked to: FCA PS25/23 Chapters 2 and 3.

Practical implication: Inconsistent definitions create operational uncertainty, inconsistent outcomes and weak audit trails. Firms should be able to explain how decisions were reached and why comparable cases were treated consistently.

Scope examples: Conduct may have a sufficient work-related link where it occurs at or around work-related settings such as training events, conferences, work socials, client-organised events, awards ceremonies or workshops. Private-life conduct may still be relevant to FIT where it is sufficiently serious and relevant to the individual's role or regulatory standing.

Good practice actions

✓ Align definitions across conduct, disciplinary, whistleblowing, people policies and training materials.

✓ Provide practical guidance on COCON scope, including private or personal life, mixed business activities and fact-specific judgement.

✓ Develop a decision tree or assessment tool covering whether conduct is NFM, seriousness, COCON breach likelihood, FIT implications and escalation requirements.

✓ Include clear examples of work-related settings and explain when private-life conduct may be relevant to FIT but not necessarily to COCON.

✓ Document all judgements and rationale to support consistency and defensibility.

Management prompts

- Do we have one consistent definition of NFM?
- Where is the threshold for out-of-work conduct?
- How do we ensure similar cases are classified and treated consistently?

Readiness check	Status
Definition aligned across policies	☐ Not started ☐ In progress ☐ Complete
Out-of-work conduct guidance agreed	☐ Not started ☐ In progress ☐ Complete
Decision tree developed	☐ Not started ☐ In progress ☐ Complete
Standard approach to record-keeping	☐ Not started ☐ In progress ☐ Complete

3.3 COCON conduct rules

Regulatory expectation: Firms should assess serious NFM against COCON, recognising that relevant behaviour may indicate lack of integrity, failure to act with due skill, care and diligence, or failure by managers to take reasonable steps. Linked to: FCA PS25/23 Chapters 2 and 3.

Practical implication: COCON assessments should not be treated as an afterthought to HR processes. Decisions should be made using consistent thresholds and should be capable of clear explanation if challenged.

PS25/23 does not introduce a formal FCA definition of "non-financial misconduct". Firms should focus on the specific conduct, the seriousness of that conduct, its connection to work (for COCON purposes) and its relevance to FIT assessments.

Seriousness threshold: Not all poor behaviour will amount to a COCON breach. Firms should consider factors such as severity, pattern, duration, impact, seniority, whether the conduct was violent or criminal, whether it violated dignity or created a degrading or humiliating environment, and whether it may justify dismissal or other serious employment action.

Good practice actions

✓ Update COCON policies, guidance and all-staff training to include PS25/23 examples and expectations.

✓ Refresh Senior Manager training to cover NFM, culture-setting, escalation and accountability.

✓ Provide specific manager guidance on identifying, escalating and responding to NFM, including what reasonable steps may look like in practice.

✓ Clarify that managers are not expected to prevent NFM they could not reasonably have known about or where they had no authority to act.

✓ Ensure COCON breach decisions, disciplinary outcomes and regulatory reporting decisions are documented and consistent.

Management prompts

- When does NFM become a COCON breach?
- Who owns that assessment?
- Have we documented a framework or process to consistently determine whether conduct is sufficiently serious to engage COCON?
- Are thresholds for integrity-related breaches consistent and evidenced?
- What escalation channels exist for employees to raise or report NFM concerns?

Readiness check	Status
COCON guidance updated	☐ Not started ☐ In progress ☐ Complete
Senior Manager training refreshed	☐ Not started ☐ In progress ☐ Complete
Manager escalation guidance issued	☐ Not started ☐ In progress ☐ Complete
Breach decision record template agreed	☐ Not started ☐ In progress ☐ Complete

3.4 Fitness and propriety

Regulatory expectation: NFM should be considered in initial and ongoing FIT assessments, including whether behaviour raises concerns about honesty, integrity, reputation, competence or capability. Linked to: FCA PS25/23 Chapter 3.

Practical implication: Firms should be able to demonstrate a structured approach to FIT reassessments where allegations or outcomes raise potential concerns about role suitability or regulatory expectations.

Regulatory assessments should be based on the available evidence and reasonable findings reached through a fair process. Firms are not courts and are not required to establish facts beyond reasonable doubt. Decision-makers should be able to evidence the information considered, the reasoning applied and the rationale for the conclusion reached.

COCON/FIT distinction: A matter may be relevant to FIT even where it does not amount to a COCON breach. Firms should therefore document both assessments separately, including where no COCON breach is found but the facts still raise concerns about role suitability, integrity or reputation.

Good practice actions

✓ Review FIT guidance and assessments to align with PS25/23, FIT 1.3, FIT 2.1 and FIT 2.2.

✓ Define triggers for reassessment following NFM allegations or outcomes.

✓ Maintain an evidence pack setting out facts considered, seriousness, recency, pattern, role relevance, mitigation and decision rationale.

✓ Create additional guidance for complex scenarios such as social media, offsite events, private life allegations and historical conduct.

✓ Ensure regulatory reference processes reflect the updated approach to serious NFM, COCON breach findings and relevant FIT conclusions.

Management prompts

- How is NFM systematically incorporated into FIT decisions?
- What criteria determine whether behaviour undermines integrity or reputation?
- How quickly are reassessments completed and documented?

Readiness check	Status
FIT framework updated	☐ Not started ☐ In progress ☐ Complete

3.5 Policies and procedures

Regulatory expectation: Firms should maintain coherent, well-communicated policies and procedures for identifying, investigating and managing NFM fairly and consistently. Linked to: FCA PS25/23 Chapters 2 and 3, and FCA Implementation Guidance.

Practical implication: Policies should operate as a joined-up control framework, not a set of disconnected documents. Staff and managers should understand how to raise concerns and how serious matters are escalated.

Regulatory references: Before implementation, firms should review whether regulatory reference processes capture relevant NFM outcomes accurately, fairly and consistently, including the relationship between disciplinary outcomes, COCON breach findings and FIT conclusions.

Good practice actions

✓ Establish incident handling guidance covering identification, triage, investigation, decision-making, outcomes, reporting, COCON/FIT assessment and record-keeping.

✓ Align people policies, disciplinary processes, whistleblowing procedures, speak-up mechanisms and regulatory references.

✓ Add explicit guidance on what does not need to be done, including no retrospective review of past COCON or FIT decisions and no general monitoring of private lives or social media.

✓ Embed conduct expectations across recruitment, onboarding, performance management, promotion, remuneration and exit processes.

✓ Ensure policies address confidentiality, independence, conflicts, appeals, safeguarding and protection from retaliation.

✓ Ensure whistleblowing framework and champion is fit for purpose and meets applicable regulatory requirements.

Management prompts

- Do policies operate as a coherent framework?
- Are investigations conducted to a defined standard?
- How do we measure employee trust in the process?

Readiness check	Status
Incident handling guidance created	☐ Not started ☐ In progress ☐ Complete

3.6 Regulatory engagement

Regulatory expectation: Firms should engage with the FCA in an open, proactive and transparent way, including timely notifications, accurate disclosures and clear explanations of how NFM cases and decisions have been assessed. Linked to: FCA PS25/23 Chapters 2 and 3, and FCA Implementation Guidance.

Practical implication: Notification decisions should be timely, well-evidenced and supported by the appropriate input from HR, Compliance, Legal, Risk and accountable senior managers.

Good practice actions	Management prompts
✓ Define when cases must be escalated to Compliance and accountable senior managers, including SMF16 and SMF17 where relevant. ✓ Set clear thresholds for FCA notification or proactive engagement, particularly for serious COCON breaches, senior staff cases or systemic culture concerns. ✓ Maintain clear rationale for reporting and non-reporting decisions, supported by HR, Legal, Compliance and Risk where appropriate.	• What is our threshold for FCA notification? • Who owns regulatory interaction on NFM cases? • How do we ensure disclosures are complete, timely and supported by clear evidence?

Readiness check	Status
FCA notification thresholds agreed	☐ Not started ☐ In progress ☐ Complete

3.7 Training and awareness

Regulatory expectation: Firms should ensure staff understand what constitutes NFM, the standards expected under the Conduct Rules and how concerns should be identified, escalated and managed. Linked to: FCA PS25/23 Implementation Guidance, and Chapters 2 and 3.

Practical implication: Training should support practical judgement and behavioural change, not simply awareness. Different audiences require different levels of depth and scenario-based discussion.

Good practice actions	Management prompts
✓ Update all-staff Conduct Rules training to reflect PS25/23, including practical NFM examples, scenario-based learning and knowledge checks. ✓ Provide focused manager training on recognising allegations, preserving evidence, safeguarding individuals, escalating concerns and avoiding informal resolution where serious conduct issues may engage COCON or FIT. ✓ Deliver senior leader training on culture-setting, accountability, decision-making and board-level oversight of serious NFM. ✓ Retain evidence of completion, understanding and effectiveness, including feedback, testing results and follow-up actions.	• Does training drive judgement and behavioural change, not just awareness? • Are managers confident in identifying and escalating NFM? • What evidence shows training is understood and embedded?

Readiness check	Status
All-staff training updated	☐ Not started ☐ In progress ☐ Complete

3.8 Monitoring, MI and reporting

Regulatory expectation: Firms should implement monitoring and MI arrangements that enable senior management and the board to have oversight over NFM matters and related conduct and FIT assessments in a timely and meaningful way. Linked to: FCA PS25/23, Summary chapter, and Chapters 2 and 3.

Practical implication: MI should not be limited to case volumes. It should help senior leaders understand trends, root causes, consistency, escalation and whether remediation is effective.

Good practice actions	Management prompts
✓ Maintain a consistent case recording framework covering allegations, investigation status, outcomes, disciplinary action, COCON assessments, FIT impacts and reporting decisions. ✓ Analyse trends, root causes and hotspots by business area, location, manager, theme, repeat behaviour and outcome. ✓ Periodically review consistency of outcomes across comparable cases, including COCON and FIT determinations. ✓ Ensure MI is used to drive action, escalation, remediation and board-level challenge rather than acting as a passive reporting tool.	• Does MI show the true risk profile or just case volumes? • How is MI used to drive action and escalation? • How do we ensure data integrity across HR, Compliance, Risk and whistleblowing sources?

Readiness check	Status
Case recording framework built	☐ Not started ☐ In progress ☐ Complete

3.9 Controls testing and assurance

Regulatory expectation: Firms should test and assure the effectiveness of NFM controls, demonstrating that the framework works in practice and not only in design. Linked to: FCA PS25/23 Chapters 2 and 3; FCA SYSC requirements regarding effective systems and controls; SMCR accountability framework.

Practical implication: Assurance should test whether policies, escalation routes, case decisions and MI operate effectively in practice, and whether improvements are tracked through to closure.

Good practice actions	Management prompts
✓ Include NFM, COCON and FIT processes in the internal audit or assurance plan. ✓ Test both design and operating effectiveness through policy review, case file testing, outcome consistency analysis and evidence sampling. ✓ Report findings to senior management, the board or relevant committees, with clear ownership and timelines for remediation. ✓ Track remediation to closure and evidence measurable improvement.	• How do we evidence that the framework operates effectively? • What independent assurance exists? • How do findings lead to timely remediation and measurable improvement?

Readiness check	Status
Assurance plan updated	☐ Not started ☐ In progress ☐ Complete

4. Suggested implementation roadmap

The FCA guidance and related COCON changes come into force on 1 September 2026. Firms should use the period before implementation to move beyond policy review and test whether governance, decision-making and evidence standards operate effectively in practice.

Mobilisation	**Gap analysis and mobilisation** Confirm accountable owners; map policies and processes against PS25/23, COCON and FIT; identify gaps across governance, HR, Compliance, Risk, MI and assurance; agree implementation plan and board reporting route.
Design	**Design finalisation** Finalise NFM definitions, decision trees, escalation thresholds, Conduct Rule assessment guidance, FIT reassessment triggers, regulatory notification guidance and case recording standards. Include explicit boundary guidance covering non-retrospection, COCON/FIT separation, private-life considerations and what firms are not expected to do.
Implementation	**Implementation readiness** Approve updated policies and procedures; launch updated staff, manager and senior leader communications; ensure live cases can be assessed under the updated framework; confirm board awareness and readiness position.
Embed	**Embedding and early operation** Deliver role-specific training; operate the case assessment and escalation model; begin enhanced MI reporting; review early cases for consistency; refine guidance where practical issues emerge.
Assure	**Assurance and effectiveness review** Undertake case file testing and outcome consistency review; assess training effectiveness;

	review MI quality; report findings to the board or relevant committee; agree remediation actions.

Ongoing	**Continuous improvement** Maintain periodic board reporting, trend analysis, root cause review, policy refresh, assurance activity and evidence of remediation. Ensure continued staff training, particularly at senior level, including executive and board audiences.

5. Conclusion

The FCA's approach to NFM places increased emphasis on culture, accountability and evidence-based judgement. Member firms should avoid treating implementation as a narrow policy refresh.

The strongest approach will be one that integrates NFM into governance, conduct risk, people processes, training, MI and assurance, while preserving fairness, proportionality and trust in internal processes.

Appendix A – Implementation checklist for member firms

No.	Checklist item	Owner / evidence
1	Nominate accountable senior owners for NFM across HR, Compliance, Risk and governance forums.	
2	Map current policies, procedures and controls against PS25/23, COCON and FIT expectations.	
3	Agree a consistent NFM definition, scope and decision framework, including out-of-work conduct and complex cases.	
4	Update COCON, FIT, disciplinary, whistleblowing, speak-up and regulatory reference processes.	
5	Develop escalation and notification guidance, including thresholds for Compliance, senior management and FCA engagement.	
6	Document FCA boundary guidance, including non-retrospection, separate COCON and FIT assessments, work/private-life boundaries and what firms do not need to do.	
7	Deliver role-specific training for staff, managers, senior leaders and board audiences.	
8	Build MI that captures trends, root causes, outcomes, consistency and remediation.	
9	Review open cases where appropriate to test consistency with the updated framework, while avoiding retrospective reassessment of closed conduct rule breach or FIT decisions.	
10	Schedule assurance activity to test whether the framework is operating effectively and report readiness, gaps and remediation progress to the board or relevant committee.	