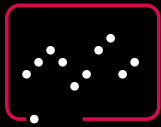panintelligence

THE AI COMPLIANCE PLAYBOOK FOR BANKS AND LENDERS 2026

Foreword:
The Year of Accountable Data

In 2026, the FCA's scrutiny of banking data will reach unprecedented intensity. Lenders unable to produce clear, explainable evidence of decision-making will face not only regulatory risk but reputational damage in a market where transparency defines trust.

Banks, building societies, and lenders are now expected to be continuously "evidence ready." The winners will be those who treat compliance data not as an administrative requirement but as the language of accountability and growth.

Methodology

Insights in this paper are drawn from FCA and PRA publications, portfolio letters, consultation papers, and supervisory statements, together with industry analysis from PwC, McKinsey, and the Bank of England.

They are supported by anonymised case examples and internal Panintelligence research on data governance and AI explainability.

Executive Summary

Charlotte Bailey
CEO, Panintelligence

New expectation

Picture this. The FCA requests a complete, auditable set of regulatory reports covering affordability assessments, Consumer Duty outcomes, AI model governance, complaints data, and operational resilience, all within a compressed deadline.

Your compliance team begins pulling data from credit systems, CRM platforms, collections, and finance. Each source tells a slightly different story. Audit trails are incomplete. Timelines tighten. The regulator is waiting.

From 2025 onwards, this expectation will be standard.

Under the FCA's Data First Strategy, Consumer Duty, and the Regulatory Initiatives Grid (April 2025), regulators are demanding near–time, auditable data that demonstrates **fairness**, **transparency**, and **consistency**.

For retail banks, challenger banks, credit unions, and lenders, this represents a fundamental shift.

Compliance is now a continuous discipline built on explainable data.

The FCA expects firms to prove that lending and affordability decisions are transparent and justifiable.

Data integrity = confidence

Failure to do so carries commercial consequences. Trust remains fragile across financial services, and independent research continues to show that customers are highly sensitive to ethical and transparent conduct.

For Chief Risk Officers, Chief Data Officers, and CEOs, data integrity now defines competitiveness. **Institutions able to surface auditable, real-time information will earn confidence from regulators, investors, and customers alike.**

Regulatory expectations for 2026 include:

1. Rapid, data-driven regulatory submissions under the Data First Strategy

2. Explainability in AI-based affordability and creditworthiness models

3. Strengthened oversight and redress under the Consumer Duty

4. Real-time, API-driven monitoring of data lineage and conduct risk

5. Continuous testing of customer outcomes for fairness and value

Common challenges:

1 Legacy systems fragmented across lending, risk, and finance

2 Inconsistent models lacking auditability

3 Manual reconciliations and spreadsheet-based reporting

4 Disconnected teams between compliance, product, and operations

5 Weak or undocumented AI model governance

For firms willing to modernise, these challenges can become a platform for growth.

AI-enabled data frameworks make it possible to:

Build trust through transparency
– real-time visibility and explainability

Increase efficiency through automation
– reducing manual effort

Differentiate through compliance excellence
– embedding fairness into every product journey

"In 2026, the FCA's expectations will redefine what it means to be a responsible lender. Real-time data access and explainable AI will sit at the heart of customer trust. This is not regulation for regulation's sake; it is a competitive advantage. Firms that evidence fairness and transparency will not just meet compliance obligations; they will lead their markets.

Compliance data is no longer a back-office function. It is a strategic asset that underpins resilience, innovation, and growth."

— Charlotte Bailey, CEO, Panintelligence

Section 2: The Regulatory Shift and Why It Matters Now

The FCA's Data First Strategy has transformed how banks and lenders are expected to capture, evidence, and share data. Compliance is now measured by continuous readiness rather than periodic reporting. Every lending decision, model output, and product outcome must be supported by data that is accurate, consistent, and explainable.

The Dual Regulator Lens

Banks and lenders operate under both the **FCA** and **PRA**:

FCA ensures fair customer outcomes, transparent pricing, and responsible lending under the Consumer Duty.

PRA enforces prudential standards for solvency, liquidity, and operational resilience under SS1/21.

These frameworks overlap.

A single dataset **must satisfy conduct, prudential, and operational evidence** simultaneously.

Regulatory expectations for 2026

Domain	Expectation	Operational Implication
Affordability & Creditworthiness	Demonstrate fairness and model explainability in lending	Unified data lineage and governed AI models
Consumer Duty Outcomes	Ongoing monitoring of fair value and customer understanding	Real-time dashboards and testing
Operational Resilience	Evidence recovery of critical services within impact tolerances	Integrated monitoring and alerting
AI Governance	Maintain explainable, version-controlled models	Documented model registry and lineage
Complaints & Redress	Provide timely, data-driven reporting on customer detriment	Automated complaint analytics

Sources:
FCA – Portfolio Letter: Retail Banks 2025
FCA – Supervision Strategy for Retail Banking
PRA – Operational Resilience SS1/21

Why This Matters Now

The FCA continues to highlight weaknesses in management information, data quality, and the ability of firms to evidence customer outcomes across retail banking.

Banks must show that their AI and credit decisioning models are:

Free from bias and auditable end-to-end	Supported by version-controlled documentation	Governed through measurable fairness and accountability

PwC's commentary on the PRA Banking Agenda 2024–25 points to persistent challenges around legacy data silos and manual reconciliations that slow FCA reporting and increase cost.

Across the sector, firms are now accelerating investment in AI-enabled data architectures that automate compliance processes and strengthen oversight under the Data First expectations.

Sector Pain Points

1   **Fragmented data systems** that obscure visibility of risk and conduct outcomes

2   **Legacy infrastructure** unable to support real-time reporting or API-based submission

3   **Opaque decision models** lacking explainability and governance

4   **Manual compliance processes** that delay assurance and add cost

5   **Board-level accountability** where senior managers must evidence Consumer Duty compliance personally

> *McKinsey's Global Banking Annual Review 2025 notes that banks investing in modern data and analytics ecosystems achieve material improvements in audit readiness and operational efficiency.*

Implications for Leaders

Regulatory readiness now defines strategic credibility. Banks unable to produce a unified, explainable view of their data risk delayed submissions, enforcement action, and erosion of customer trust.

Those that modernise early will lower compliance costs, improve transparency, and position themselves as leaders in responsible innovation.

Section 3: The Twin Challenge: Product and Operational Compliance

The FCA's Consumer Duty and Data First Strategy have created a dual compliance challenge for banks and lenders. Institutions must manage two interdependent dimensions of risk: product compliance, focused on fair outcomes, and operational compliance, focused on data, systems, and resilience.

The FCA's most recent communications underline that weaknesses in management information and data governance remain the root cause of many compliance failings.

Product Compliance

Product compliance requires firms to evidence fairness and suitability through data. Each product must deliver value for money and demonstrate customer understanding.

Core obligations include:

Transparent pricing and communications

Data-driven affordability checks

Continuous evidence of value for money

Identification and protection of vulnerable customers

Many banks hold vast volumes of data yet struggle to generate actionable insights due to disconnected systems and inconsistent definitions.

Operational Compliance

Under the PRA's SS1/21 Operational Resilience Policy, firms must show that critical services such as lending, payments, and complaints can recover within set tolerances.

Operational compliance supports product compliance: without resilient systems and explainable models, firms cannot prove fair outcomes.

Institutions are expected to maintain:

Unified data lineage across core systems

Explainable AI decisioning for affordability and credit scoring

Integrated monitoring of system performance and recovery

Secure data pipelines for regulatory reporting

McKinsey's research highlights that modern data architectures significantly improve audit readiness and reduce operational risk.

Interdependency of Product and Operations

Historically, banks managed product and operational compliance separately. Under the Data First approach, this separation no longer works.

Data governance, model explainability, and resilience now intersect both. A fair product outcome depends on accurate, consistent, and resilient systems.

Simply put:

- Product compliance cannot exist without operational integrity.

- Operational compliance has no context without product outcomes.

Data-Centric Compliance Frameworks

Leading banks are creating data-centric frameworks that unify operational telemetry with product-level analytics.

These frameworks combine system health metrics, model governance, customer fairness indicators, and redress tracking, enabling proactive oversight instead of reactive remediation.

> **Example:**
>
> *A UK challenger bank consolidated its affordability and complaints data into a single dashboard. When the FCA requested supporting evidence, the bank produced a full audit trail within hours rather than days.*

Panintelligence as an Enabler

Solutions such as Panintelligence support regulated firms in operationalising data-first compliance. By embedding explainable analytics, governed AI models, and unified reporting directly within existing banking infrastructure, firms can turn fragmented data into transparent, auditable evidence.

This approach enables continuous monitoring of product and operational compliance, creating measurable efficiency gains and stronger assurance for both the FCA and PRA.

Strategic and Investment Implications

For boards, funding data and AI infrastructure is now a direct investment in trust and risk mitigation.

Benefits include:

Lower compliance cost through automation	**Faster and more accurate regulatory reporting**
Greater board confidence in risk oversight	**Tangible improvements in customer trust and retention**

Insight:

PwC's Reinvention of Retail Banking analysis shows that banks adopting continuous compliance frameworks achieve faster remediation and measurable operational resilience.

The return on investment extends beyond cost reduction. These foundations allow firms to scale responsibly and innovate with confidence.

Section 4: From Burden to Advantage: Building a Data-First Compliance Model

The shift from retrospective compliance to real-time accountability has changed the role of data across financial services. Under the FCA's Data First Strategy and Consumer Duty, the question for banking leaders is no longer how to report accurately, but how to design systems that are compliant by design.

Real-time Accountability in Financial Services

Retrospective Compliance	Data First Strategy	Consumer Duty	Real-time Accountability
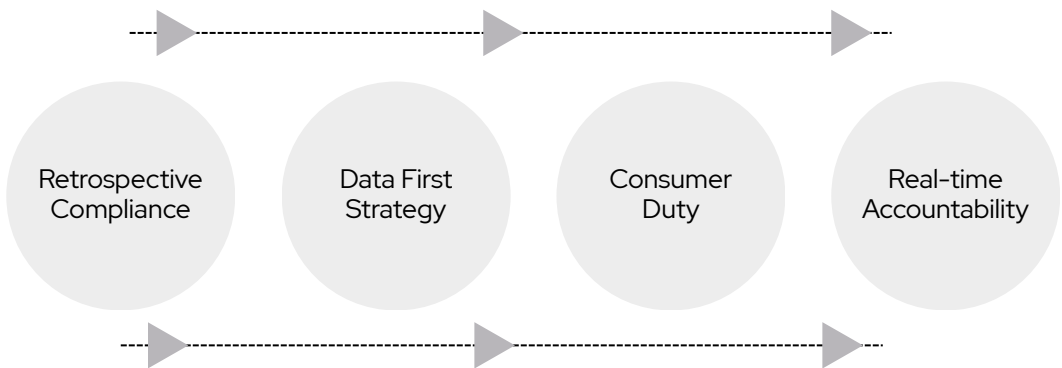
A data-first compliance model integrates governance, automation, and explainability into day-to-day operations. It allows firms to capture, process, and evidence regulatory information without duplication or manual intervention. This approach converts compliance from a cost centre into a measurable source of efficiency and trust.

1. Governance by Design

Data-first compliance begins with strong data governance. Banks must know where their data resides, who owns it, and how it changes.

A mature governance framework includes:

1 **Data lineage mapping,** linking source systems to reports and models

2 **Standardised data definitions,** ensuring consistency across departments

3 **Role-based data stewardship,** clarifying accountability under SM&CR

4 **Automated audit trails,** recording every change to models and datasets

This governance enables traceability across the entire data lifecycle. When regulators request evidence, firms can produce an end-to-end view showing how data moved from source to decision.

The FCA's Portfolio Letter for Retail Banks (2025) emphasises the importance of transparent data flows and governance standards, noting that weaknesses in MI and documentation continue to undermine conduct assurance.

2. Automation of Compliance Workflows

Automation now underpins efficient compliance operations. Instead of manual reconciliations and spreadsheet reporting, leading firms are implementing workflow automation to capture and test compliance events in real time.

Examples include:

1 Automated affordability and creditworthiness checks linked to open-banking data

2 Real-time monitoring of model performance and bias

3 Intelligent alerts when product performance deviates from expected outcomes

4 Integrated dashboards combining risk, product, and operational metrics

By automating these processes, banks reduce the margin for human error and accelerate regulatory response times. PwC's research into operational transformation in banking highlights automation as a leading driver of cost efficiency and regulatory resilience.
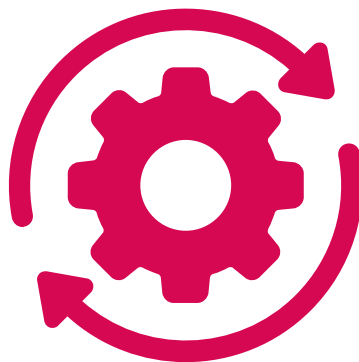
3. Explainable AI and Model Risk Management

As AI becomes embedded in credit scoring, affordability, and fraud detection, explainability is a regulatory imperative. Both <u>the FCA and Bank of England</u> have reiterated that AI systems must be transparent, traceable, and accountable.

To achieve this, firms are adopting model governance frameworks that include:

Version control for every model iteration

Explainability dashboards for decision transparency

Bias detection and fairness testing tools

Validation and approval workflows for model release

This framework allows compliance and risk officers to demonstrate **not only what decisions were made but why**. It provides the foundation for human-in-the-loop oversight that satisfies regulatory expectations for accountability.

4. Unified Oversight and Real-Time Reporting

A defining feature of data-first compliance is the integration of product, risk, and operational data into a single oversight layer.

A unified reporting environment enables:

Continuous Consumer Duty testing

Real-time operational resilience tracking

Immediate identification of conduct risks

Faster, evidence-ready responses to regulatory enquiries

Example:

A mid-tier UK lender unified its credit, complaints, and risk datasets under one governed analytics environment. When the FCA requested affordability outcome evidence, the lender produced a single dashboard linking customer data to decision rationale, eliminating three days of manual reporting.

Solutions such as **Panintelligence** support this capability by embedding governed analytics and explainable AI into existing banking systems. By aligning real-time reporting with governance controls, firms can visualise their regulatory position at any time without complex integration projects.

5. From Cost to Value

Once compliance data becomes structured and transparent, it delivers measurable business value. The same datasets that evidence fairness can also drive product insight, pricing optimisation, and customer retention analysis.

McKinsey's Global Banking Annual Review 2025 observes that institutions with integrated data and analytics capabilities achieve higher operational resilience and lower cost-to-serve.

Key commercial benefits of a data-first compliance model:

1 Reduced cost of compliance through automation and data reuse

2 Faster time-to-report and audit readiness

3 Improved product pricing and customer segmentation

4 Enhanced board-level visibility and confidence

5 Strengthened brand reputation through transparency

6. Return on Investment

While compliance modernisation requires upfront investment, the returns are tangible.

Benefit Area	Typical Outcome	Timeframe
Reporting Efficiency	50–70% reduction in manual reporting effort	Within 12 months
Operational Resilience	Faster recovery and fewer risk events	12–18 months
Audit Readiness	Near real-time evidence production	Ongoing
Customer Trust	Improved satisfaction and retention	18–24 months

These are directional averages drawn from consulting analyses and industry surveys, illustrating the commercial potential when compliance is treated as a strategic capability rather than an obligation.

7. Embedding Continuous Improvement

A data-first model is not static. Continuous monitoring, AI retraining, and evolving governance must remain part of business-as-usual.

Leading firms now operate "compliance as code", embedding regulatory rules directly into data pipelines so that compliance controls execute automatically.

This approach turns every data transaction into a potential assurance point, delivering continuous visibility for both business leaders and regulators.

Data-First Model Cycle

Monitor Data

Retrain AI

Evolve Governance

Execute Compliance

Provide Visibility
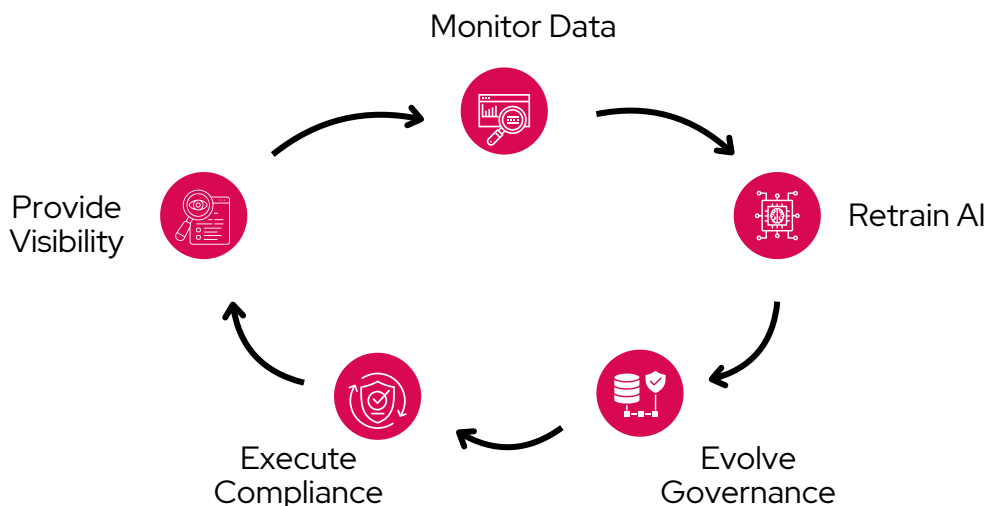
By treating compliance as a dynamic, data-led process, banks can meet regulatory expectations and unlock operational and strategic benefits. Firms that adopt this mindset move from compliance burden to competitive advantage.

Section 5: Measuring Compliance Maturity and Demonstrating ROI

The FCA's Data First Strategy makes one expectation clear: compliance must be measurable. Firms are no longer judged solely on intent or documentation; they are assessed on how effectively they evidence outcomes, trace decisions, and manage risk through data.

To navigate this environment, banks and lenders must measure not only whether they are compliant, but how well they comply. A structured maturity framework provides that visibility, linking regulatory capability to tangible financial and operational value.

1. The Compliance Maturity Curve

Most institutions fall somewhere on a five-stage journey from reactive compliance to proactive, data-led assurance.

Stage	Characteristics	Typical Risk	Next Step
1. Reactive	Manual data gathering, spreadsheets, retrospective reporting	Delayed submissions, inconsistent evidence	Establish data inventory and governance roles
2. Defined	Standardised processes and data definitions	Disconnected systems, limited auditability	Integrate data sources and automate reconciliations
3. Integrated	Automated workflows and governed datasets	Limited explainability of AI models	Embed model governance and explainable analytics
4. Predictive	AI and analytics identify issues before they occur	Change management and data culture	Align compliance KPIs with business performance
5. Optimised	Real-time compliance assurance and continuous improvement	Maintaining agility as regulation evolves	Embed "compliance as code" and continuous monitoring

Firms progressing through these stages see marked improvements in cost efficiency, response speed, and regulator confidence.

2. Quantifying the Value of Maturity

A 2024 Bank of England and FCA joint paper on data and innovation emphasised that effective data governance directly improves decision quality and resilience.

When mapped to the maturity curve, typical benefits include:

Maturity Level	Efficiency Gain	Regulatory Response Time	Compliance Cost Reduction
Defined → Integrated	25–40% improvement through automation	From weeks to days	15-20%
Integrated → Predictive	40–60% through explainable AI and dashboards	From days to hours	25-35%
Predictive → Optimised	60–70% via real-time monitoring	Instantaneous reporting	35-50%

These values are based on aggregated findings from PwC and McKinsey benchmarking studies on operational efficiency and data transformation in financial services.

3. Building a Quantifiable ROI Framework

Executives seeking to justify investment in compliance modernisation should align returns with three categories:

a) Direct Cost Savings

- Reduced manual effort in report generation and reconciliation
- Lower external audit and remediation expenses

b) Risk Avoidance and Capital Efficiency

- Fewer operational incidents and conduct breaches
- Improved regulatory rating and reduced capital buffers

c) Strategic Value Creation

- Data reuse for product design, pricing, and customer analytics
- Enhanced brand trust and retention metrics

Each of these categories can be measured using financial and operational KPIs that map directly to business outcomes.

4. Key Metrics and Indicators

Boards and regulators are increasingly focused on evidence-based metrics that demonstrate continuous improvement. Examples include:

Metric	Definition	Evidence Method
Data Quality Score	Percentage of validated, complete records across systems	Data lineage audit reports
Model Explainability Index	Proportion of AI decisions with documented rationale	Model governance dashboard
Time to Regulatory Response	Average turnaround from FCA/PRA request to submission	Workflow automation logs
Cost per Compliance Activity	Total compliance spend divided by number of activities	Finance and compliance budgets
Customer Outcome Alignment	Ratio of compliant to remediated cases	Outcome testing dashboards

Tracking these indicators quarterly allows senior management to demonstrate not just compliance, but maturity progression.

5. Demonstrating ROI in Practice

When presented to investors or regulators, ROI should be framed around **outcome evidence rather than technology deployment**. The most credible organisations can show a measurable link between compliance data, customer trust, and commercial performance.

Example:

*A UK building society introduced real-time outcome monitoring using governed dashboards. Within twelve months, audit r**esponse time fell by 60%** and **manual compliance cost dropped by nearly a third**. The same dataset was then used by marketing and product teams to identify under-served customer segments, creating measurable growth in deposits.*

Panintelligence as an Enabler

Solutions such as Panintelligence assist firms in achieving this transparency by consolidating operational, product, and customer data into a governed analytics environment.

The result is a consistent, evidence-ready view that supports both compliance and strategic decision-making.

6. Sustaining Compliance ROI

Demonstrating ROI is not a one-off exercise. As regulation and technology evolve, continuous recalibration of metrics and controls is essential.

To sustain maturity:

1 Embed compliance analytics into enterprise performance dashboards

2 Regularly review AI models for drift and fairness

3 Integrate compliance objectives into incentive structures

4 Engage with regulatory sandboxes to test innovation safely

The FCA's Digital Regulatory Reporting and TechSprint programmes encourage precisely this approach: collaborative, data-driven assurance that keeps pace with market change.

7. The Business Case for Continuous Assurance
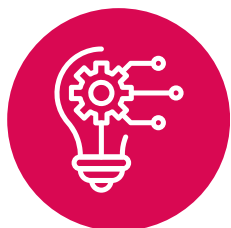
Ultimately, compliance maturity delivers three outcomes:

a) Operational Confidence
Clear visibility of data integrity and model behaviour

b) Regulatory Readiness
Instant evidence to satisfy any request

c) Strategic Agility
The ability to innovate responsibly without risk of non-compliance

Banks and lenders that view compliance as a continuous, data-led capability will find themselves not only protected, but advantaged. Those that remain reactive will face increasing scrutiny and cost.

Section 6: Conclusion and Strategic Outlook

The regulatory and technological landscape facing banks and lenders in 2025 demands more than compliance; it demands clarity, accountability, and continuous assurance. The FCA's Data First Strategy, combined with the Consumer Duty and Operational Resilience frameworks, represents a decisive move towards data-led supervision. Firms that adapt early will find themselves not merely compliant but competitive.

The message from regulators is unambiguous: evidence must be dynamic, explainable, and readily available.

Static reports are no longer sufficient. Financial institutions are expected to prove, through data, that decisions are fair, systems are resilient, and customer outcomes align with stated purpose.

1. The Future of AI and Data in Financial Services

Artificial intelligence will continue to reshape the compliance landscape. <u>The Bank of England and FCA's AI Public–Private Forum</u> has signaled a pragmatic stance: AI can drive value, provided firms can explain and govern its outcomes.

This creates a new equilibrium between innovation and responsibility. Future-ready banks will combine machine learning with human oversight, building systems where every AI decision is traceable, every dataset is governed, and every customer outcome is demonstrable.

In this model, compliance ceases to be a constraint on innovation; it becomes its foundation.

Responsible AI in Financial Compliance

Trusted AI Compliance

AI Innovation

Human Oversight & Governance
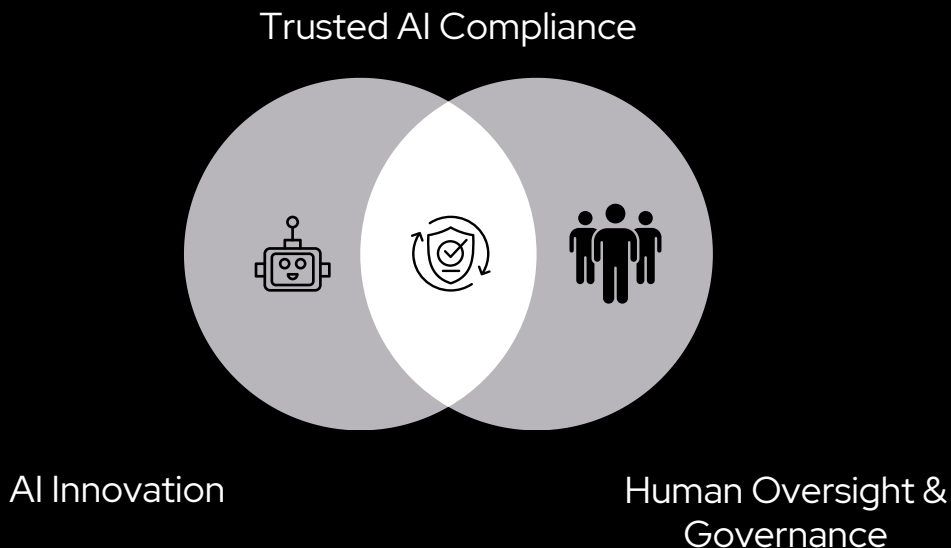
2. A Model for Sustainable Compliance

A sustainable approach to compliance balances three priorities:

1 Regulatory Integrity – ensuring fairness, transparency, and accountability s

2 Operational Efficiency – reducing cost through automation and governance

3 Strategic Growth – using compliance data to identify opportunity and drive innovation
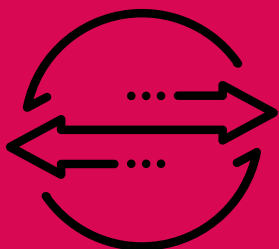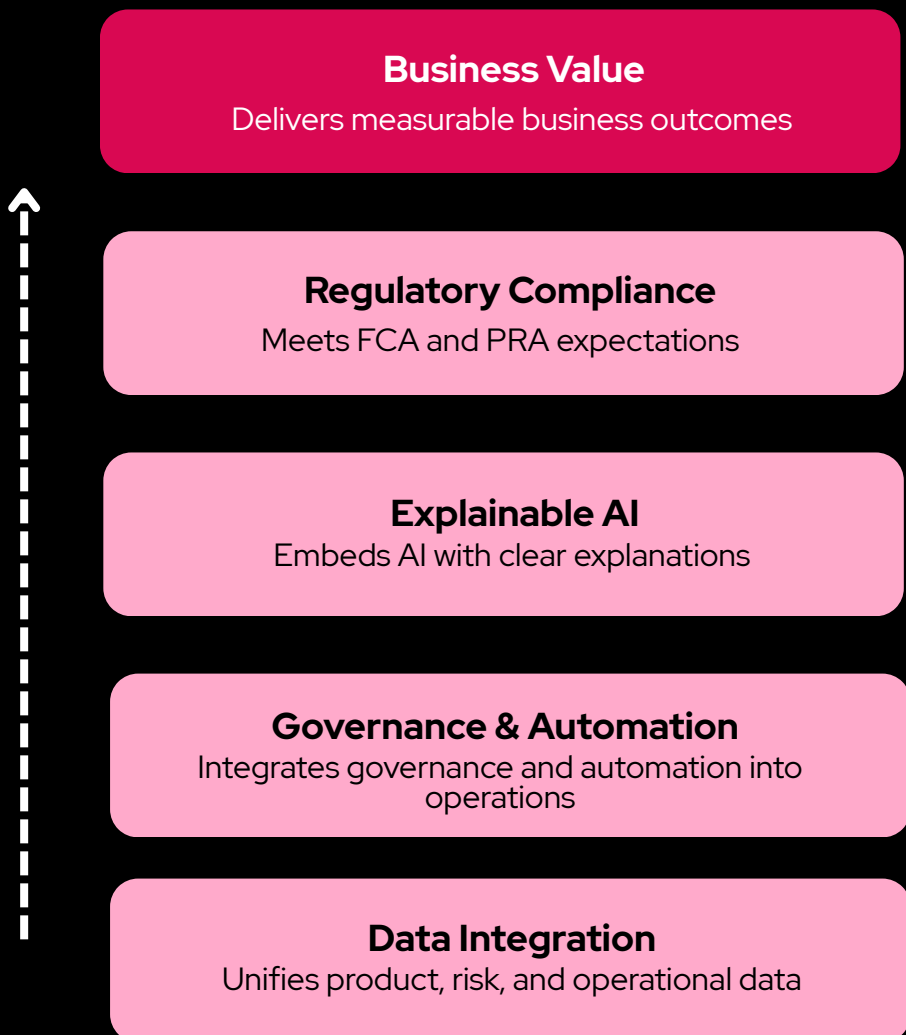
Firms that integrate these pillars can transform compliance into a measurable driver of performance. This model aligns with emerging regulatory initiatives such as Digital Regulatory Reporting, designed to standardise data exchange and reduce administrative burden.

3. The Role of Data-First Platforms

As banks evolve towards this model, the role of technology shifts from support function to strategic enabler. Data-first platforms allow firms to integrate governance, automation, and explainability directly into their operations.

Data-First Platform Benefits

Business Value
Delivers measurable business outcomes

Regulatory Compliance
Meets FCA and PRA expectations

Explainable AI
Embeds AI with clear explanations

Governance & Automation
Integrates governance and automation into operations

Data Integration
Unifies product, risk, and operational data

4. A Forward-Looking Perspective

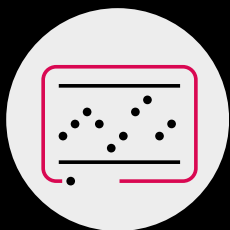Looking ahead, three trends will define the next phase of regulatory transformation:

a) Data as a regulatory language
Standardised APIs and schemas will allow seamless data exchange between firms and supervisors.

b) AI assurance frameworks
Model explainability and accountability will form part of ongoing supervisory dialogues.

c) Continuous compliance
Assurance will shift from annual certification to live data validation embedded within operations.

These developments will reshape how firms manage risk, serve customers, and innovate. Those that invest now in robust, explainable, and automated data frameworks will set the benchmark for responsible finance.

5. Reflection

The future of compliance is not about technology alone; it is about trust.

Banks and lenders that can demonstrate transparent, data-led decision-making will earn confidence from customers, investors, and regulators alike.

The transition to data-first compliance is therefore not a regulatory burden. It is a strategic opportunity to rebuild trust in financial services through clarity, accountability, and innovation.

Panintelligence remains committed to supporting regulated firms on this journey by enabling the principles of fairness, transparency, and explainability to become operational reality.

Investor Trust

Customer Trust

Regulator Trust
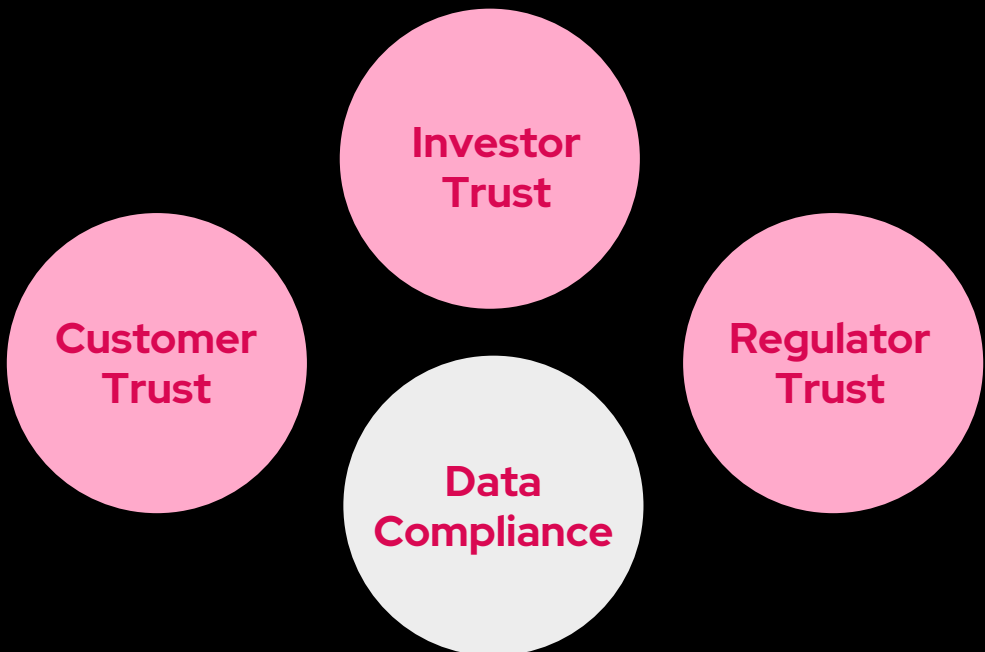
Data Compliance

Five Steps to Achieving Data-First Compliance

1 Map your data lineage and governance ownership.

2 Automate key compliance workflows and evidence trails.

3 Embed explainable AI governance across decision models.

4 Integrate product, risk, and operational data for unified oversight.

5 Measure and improve compliance maturity continuously.

"The institutions that treat data as their language of trust will be those defining banking in the next decade."

— Charlotte Bailey, CEO, Panintelligence

Act now to secure your advantage

At **Panintelligence**, we help regulated firms embed explainable AI, governed analytics, and automated compliance into everyday operations, delivering transparency and control where it matters most.

Whether you're exploring data-first compliance, assessing AI model governance, or looking to unify product, risk, and operational reporting, our team can help you design a roadmap tailored to your goals.

Let's explore how Panintelligence can help your firm turn compliance into competitive strength.

[Book A Discovery Call](#)