

The Consumer Duty

Our expectations of firms

Mark Gould – Communications Division

Learning objectives

- Understand the background to and the key elements of the Consumer Duty
- Identify the areas firms need to consider to ensure they are meeting the new requirements
- Understand the FCA's supervisory approach to implementation of the Consumer Duty

Agenda

- Background
- Consumer Duty
 - Consumer Principle
 - Cross-cutting Rules
 - Outcomes
- Monitoring
- Next Steps
- Q & A

Background

Harms we are trying to address:

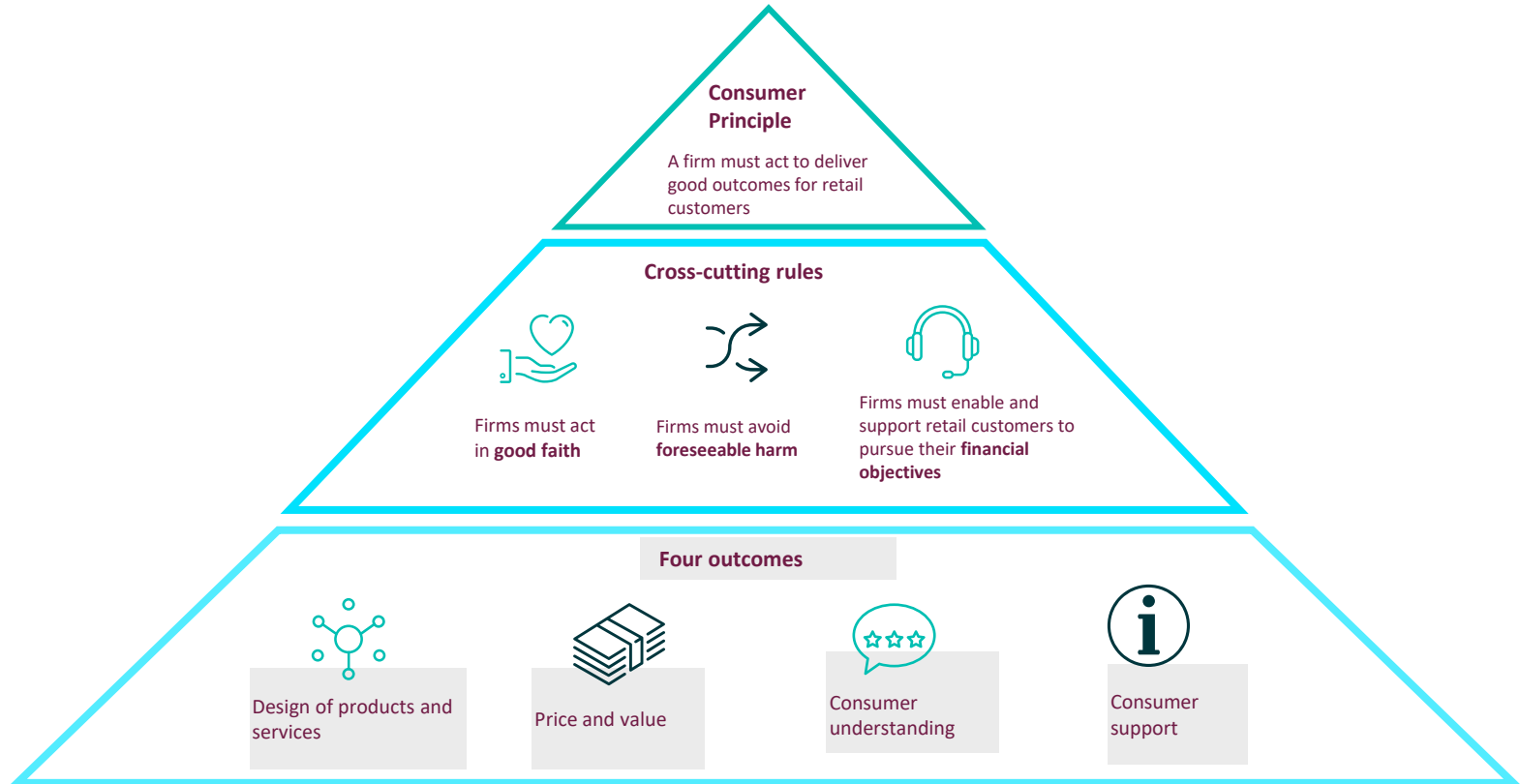
- Firms exploiting consumers' behavioural biases
- Firms recommending products and services that are not fit for purpose
- Firms recommending products and services that do not represent fair value
- Firms providing poor client support
- Firms exploiting consumer loyalty or inertia
- Other practices which hinder consumers' ability to act

Background

We want to achieve the following:

- Fair value
- Products and services designed to meet client needs
- High levels of client service
- Increased consumer confidence and understanding

Consumer Duty structure



Consumer Duty

Consumer Principle

A firm must act to deliver good outcomes for retail clients

Principle 12

Requires firms to:

- Pro-actively seek to deliver good outcomes and put consumers' interests at the heart of their activities
- Focus on the outcomes consumers get, whilst enabling them to pursue their financial objectives
- Ensure they have sufficient understanding of how products and services function
- Where they identify that good outcomes are not being achieved, act to address this
- Consistently challenge themselves to ensure their actions are compatible with consumers' interests and financial objectives

Cross-cutting Rules

- act in good faith
- avoid causing foreseeable harm, and
- enable and support retail clients to **pursue** their financial objectives

Four Outcomes

- Governance of products and services
- Price and value
- Consumer understanding
- Consumer support

Products and services

- Design products and services to avoid potential harmful impacts.
- Consider the potential positive and negative impacts of a product or service on consumers
- Take consumers into account at all stages of the product and service design process.... to ensure products and services meet their needs.

Products and services

- How does the firm take time to understand what consumers may need from a product or service?
- Does the firm recognise that the needs of consumers are likely to evolve and therefore build flexibility into the service offering?
- Does the firm consider the needs of consumers when changing their operations (eg.closing a communication channel)?
- How does the firm review their products and services.... to check whether they are continuing to meet the needs of consumers?

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Price and value

When assessing value, consider:

- The nature of the product or service, including the benefits that will be provided or may reasonably be expected and their qualities
- Any limitations that are part of the product or service
- The expected total price clients will pay, including all applicable fees and charges over the lifetime of the relationship between client and firm

Price and value

- Is the firm able to clearly demonstrate how any product or service they provide offers fair value?
- Can the firm demonstrate that the costs associated with the products and services that they offer are clear to the client?
- How does the firm monitor the impact of different pricing on different clients?
- In what ways does the firm review the price and value of the products and services that they provide?

Consumer understanding

- Understanding of communications
- Communication Channels
- Ongoing Communication
- Testing and Monitoring

Consumer understanding

- Do your communications encourage consumers to share information about any needs they may have?
- Are communications as accessible and clear as they can be?
- Do you offer multiple channels of communication... so that consumers have a choice ?
- If you operate digitally,... has the firm considered how to meet the communication needs of consumers?

Consumer support

- Set up systems and processes in a way that will support and enable consumers to disclose their needs
- Deliver appropriate service that responds flexibly to the needs of consumers
- Tell consumers about the support available to them including relevant options for third party representation and specialist support services
- Put in place systems and processes that support the delivery of good service, including systems to note and retrieve information about their needs

Consumer support

- Does your firm have systems that are easy to use... and that encourage consumers to disclose their needs?
- Do frontline staff have the confidence and authority to act in response to the needs of consumers,... or know when it is appropriate to escalate an issue?
- Does your firm proactively communicate the options of help and support they offer,... to adequately meet the needs of clients ?
- Does your firm operate incentive schemes for staff that may lead to poor outcomes for consumers?

The importance of Management Information (MI)

- Business persistency
- Advice register
- Behavioural insights
- File reviews
- Training and competence records
- Client feedback
- Numbers and root cause of complaints
- Compliance reports

Monitoring and evaluation

- What monitoring processes are in place?
- What MI does your firm collect and who is it reported to?
- Is this MI regularly collected, and used to ensure continuous improvements?
- Can your firm identify the points where they could have intervened earlier to prevent or mitigate harm?
- Where poor outcomes for clients have been identified, ...does the firm take steps to understand what is driving these actionsand then improve outcomes?

Supervising and enforcing the new Duty

Using all our regulatory tools to ensure firms are meeting the higher standards and putting consumers at the heart of everything they do

Authorisation

Ensuring firms meet the required standards when applying for Authorisation or new permissions

Supervision

Using assertive supervision and our data-led approach to quickly address practices that don't meet our expectations

Enforcement

Where we identify serious misconduct that breaches the Duty, we'll take enforcement action

Holding firms, including senior managers and boards, to account for delivering good outcomes for consumers

What's next?



**Implementation plan by
31st October 2022**

Think about the outcomes
in terms of:

- What you do well
- Improvement
- Potential Risks
- Mitigation



31 July 2023

Consumer Duty comes
into force for all new and
existing products and
services that are currently
on sale



31 July 2024

Consumer Duty comes
into force for closed
book products no longer
on offer

Questions

mark.goold@fca.org.uk



www.fca.org.uk