6 December 2023

Introduction

Emma Stranack, Head of Content and Channels, FCA

Good morning and welcome to the FCA's webinar, looking at next steps for the Consumer Duty. There are thousands of you joining us today from across industry and we're delighted to welcome you with us. I am Emma Stranack, Head of Content and Channels at the FCA, and I'll be chairing today's proceedings.

So, the aims for the day are twofold. Firstly, to give you a better understanding of our expectations now the Duty's in force and, secondly, to share some learnings to help you embed the Duty in your organisations.

So, the agenda for today, we have Nisha Arora, Director of Cross Cutting Policy and Strategy. She will be describing how embedding of the Duty is going, what we want to see from you and what you can expect to see from us.

We'll then move on to a panel discussion. That will involve a number of sector specialist views. Panellists will be covering consumer investments, retail banking, insurance and consumer finance, and it'll give you a flavour of what we are seeing in those sectors, but we do think that will be actually relevant to a number of you.

We're then moving on to the Q&A section. We've had hundreds of questions from you, so what we're going to do is try and cover some of the themes that emerged through the panel discussion, as well as addressing it in the questions. We also welcome questions from you today so, if you have any, please put them in the sidebar and we'll get through as many as we possibly can, probably focusing on the most common ones.

You will have seen, hopefully, there's a Slido poll. Please do scan the QR code that is onscreen now or go to Slido.com and enter the code, which is 3150481. It's completely anonymous and it's there to help us evaluate the session afterwards.

One final point from me before I hand over to Nisha. During the session, we will be drawing on a number of examples of good and poor practice. Anything that isn't already in the handbook or our rules and guidance or Finalised Guidance is really for information. We' re not today establishing any new expectations or requirements.

So that's it from me. I'm now going to hand over to Nisha Arora.

Nisha Arora, Director of Cross Cutting Policy and Strategy, FCA

Brilliant, thank you, Emma, and thank you, all of you, for tuning in. As Emma said, it is great to see so many attendees join us and from such a range of sectors.

Now, as you all know, the open product implementation date has passed, and Consumer Duty has been with us and live for four months now. But this is just the start of our journey and your journey on the Consumer Duty.

As I recently said in a speech, the Consumer Duty is not a 'once and done' exercise. It is an ongoing commitment to putting your consumers' needs and the outcomes they are receiving front and centre and really embedding this in your policies, your practices and your culture throughout the whole organisation.

Now, to kick off things today, I am going to set out a little bit about what we want firms to focus on in the coming months and what we will be focusing on here at the FCA in the coming months.

So first, what should firms be focusing on? Well, we have seen firms working really hard to meet that first implementation deadline and we have seen already the benefits that that is reaping for consumers and for firms. With higher standards and firms competing and innovating for consumers, we hope to see greater trust and confidence in markets, and that will support economic growth.

The early signs of change are positive. We have seen firms developing new data to measure and monitor the outcomes they are delivering for consumers. We have seen firms overhauling their product suitability assessments to make sure that the right products reach the right customers and we have seen firms reviewing their communications, making changes to the layout and presentation of content to improve their clarity and boost consumer understanding.

That is all great to see, but I do want to continue to underline this point that the Duty is not a 'once and done' exercise. So, firms need to continue to focus on consumer outcomes, really challenge yourselves on whether those implementation exercises that you have done have really delivered what is needed and keep reviewing those on an ongoing basis.

You also need to focus on how you are monitoring and measuring consumer outcomes, again on an ongoing basis and using the necessary data. That will help to both give you the evidence you need to assure yourselves and your Boards and your customers that you are delivering the necessary outcomes, and enable you to continue to learn and improve and deliver in your customers' interests.

So, it is pretty clear the task to embed the Consumer Duty is an ongoing one. But there are also two specific areas that we expect firms to focus on in particular in the coming months – that is the closed products work and the annual Board report. Both of those need to be completed by 31st July 2024. So let's turn to those.

Firstly, closed products. Now, my key message to you on closed products is make sure you are on track to meet that 2024 deadline. Prioritise your work, consider where are the greatest areas of harm, consider where are the biggest gaps. To help you identify that, you might want to consider whether the product was closed for a particular reason that might have a bearing on consumer outcomes. For example, was it closed because it did not offer fair value? Was it closed because you had complaints that might indicate harm or poor outcomes? So, really consider where you need to work first.

As with open products, review your closed products against the higher standards of the Duty. Identify and address any gaps. Much of this will be familiar ground, I hope, from your first implementation exercises.

Now, of course, there are some differences with closed products. As they are not on sale to new customers, you do not need to identify a target market and you do not need to develop a distribution strategy.

But that does not mean the Duty is any less important for closed products. It applies fully and you still need to do a thorough and ongoing assessment to ensure your closed products deliver the right outcomes and meet the requirements of the Duty, including the cross-cutting rules.

So, you should be asking questions like, 'Could any aspects of the design of my closed products lead to foreseeable harm or frustrate customers pursuing their financial objectives?', 'Are customers with closed products receiving the support they need, when they need it, as well as communications that they actually understand?', and, 'Do my closed products offer fair value? Considered in the round, are the benefits that those products deliver reasonable compared to the price and the cost to consumers?'.

We are taking closed product implementation seriously and my message to firms is to do likewise.

Let us turn now to the topic of annual Board reports. So, as you will recall, at least once a year, your Board or equivalent governing body must review and approve an assessment of whether your firm is delivering good outcomes for your customers. This is not an attestation to us, it is a piece of internal governance. It is a really important one.

So, while the Executive owns delivery of the Duty, Boards have a really critical role to play in setting the strategy and assuring that your organisation is delivering the Duty and the right consumer outcomes as part of that strategy. We want to see Boards working with their Executives, challenging them and driving them in the right direction to deliver and embed the Duty.

We have talked before about outcomes monitoring, and ongoing and effective outcomes monitoring is going to be a really essential feed for the Board report. You will need to use it to evidence the outcomes you are delivering, as well as the gaps and the actions you are taking to address these.

Like everything else about the Duty, the Board reports are not tick box. They serve a really important purpose, so we want to make sure they are working effectively and that Boards have the right data and the right MI as part of that process. So, firms can expect us to ask to see their Board reports, to make sure they are working effectively and that firms are taking a data-led approach.

We will be reviewing a sample of firms' Board reports, looking at the data they include to evidence consumer outcomes, how effectively the Board has scrutinised the firm's performance and what actions are planned to address any gaps in particular. We are going to feed back on what we see and that will help to drive good practice across the industry more widely.

So I have talked a bit about the work we expect you to do in the coming months. So while you are busy doing all of that, what will we at the FCA be up to?

Well, the Duty is an integral part of our approach and mindset at every stage of the regulatory lifecycle, from Authorisations through to Policy through to Supervision, Enforcement and Communications. It is a golden thread. It runs through all of our work and through all of our engagement with you.

As you will know, we have published extensive rules and extensive guidance in the last few months and years, and many of the questions we hear from you are answered in that guidance. So one thing I would encourage everyone to do is keep looking back at the rules and keep looking back at the guidance because there is an awful lot of information in there.

On top of all that, we have and we will continue to use many other different ways to engage with you to keep giving you information and insights on our expectations. That is including portfolio letters and, as you will know, we have written to all firms subject to the Duty, setting out our expectations for implementing it and highlighting areas where you really need to focus.

We will also continue to use CEO letters, findings reports and good and poor practice examples, as well as speaking at events like today's.

Now, look, I know sometimes you want us to give you more detailed answers to your questions but I need to remind you the Duty is outcomes-focused and that means you need to interpret it and apply it to your own business, your own customers and your own circumstances.

And importantly, the Duty puts a greater onus on firms to get it right the first time and really take the initiative to assess and monitor outcomes and put things right where they have gone wrong. And you need to do that without relying on the regulator having to intervene to tell you.

And what we are really pleased to see is the number of voluntary changes that are happening on a daily basis as firms step up, interpret and act on the Duty.

Now, of course, some changes will require the FCA's intervention, so we will be using our range of supervisory and Enforcement tools and we will intervene as necessary where we have concerns, focusing, as we have said, on the areas of greatest harm.

I will talk a little bit more about our approach. So where we have concerns with an individual firm, our engagement usually starts with a supervisory conversation and, often, firms will make the necessary changes as a result, without us having to use our formal powers.

In more serious cases, where poor conduct is causing significant harm or where firms are slow or ineffective at addressing problems on a voluntary basis, we have recourse to more formal tools. For example, requiring firms to stop certain activities. And where we see egregious noncompliance leading to consumer harm, we may have recourse to use our more substantive Enforcement tools, and that can involve financial penalties or public censure.

As well as addressing concerns with individual firms, we will also be looking at problems across sectors and may well, and plan to, undertake multi firm work. As part of this, we can take a range of action, including communicating with firms to make our expectations even clearer and taking supervisory and Enforcement action against outlier firms.

As well as sectoral work, we will also be carrying out cross-sector work to address issues that arise in multiple sectors. One such area is complaints handling. We want to ensure that firms across sectors deal fairly and effectively with complaints and have robust mechanisms in place to learn from the root causes of those complaints and avoid the same problems recurring.

So, in summary, we have talked a lot about what is needed next from you as you continue to embed the Duty. But through all the policy, the process, the systems and the communications changes that you are making, it is really important not to lose sight of the consumers that we are all here to support and serve. So keep your customers front of mind, understanding their needs and characteristics and the outcomes they are experiencing.

Getting it right for consumers means higher standards and healthier competition. That will improve trust in our sector. It will support growth and innovation and, in turn, improve the UK's standing on a global stage. The prize is huge if we can get this right.

So on that note, I am going to turn back to Emma and she will introduce the next session. Thank you.

Panel discussion

Emma Stranack

Thank you, Nisha. So it's now on to our panel session and I'm delighted to welcome our panellists today. We have Roma Pearson, Director of Consumer Finance; Matt Brewis, Director of Insurance; Kate Tuckley, Head of Consumer Investments; and David Geale, Director of Retail Banking.

These colleagues will be covering how firms in their sectors are embedding the Duty and we will take a bit of a deeper dive into some of the key areas of focus for the Duty, with some examples of good and poor practice.

As I said earlier, while the speakers will be focusing on their particular area of specialism, we think the content is actually valuable for everyone.

After the panel sessions, we will move on to taking your questions, so please do put those in the sidebar.

So, the first question I want to get your thoughts on, panel, is your views of embedding the Duty in the sector. And we asked a question on the Slido poll, according to that, 72% of people here today feel confident or very confident that they're successfully embedding the Duty.

David, does this chime with what you're seeing in retail banking?

David Geale, Director of Retail Banking, FCA

Thank you, Emma. It does, to a degree. So, firms have made a huge effort and I would say we have really seen firms grasping the specifics. But more than that, we have seen them really embracing the spirit and the intention of the Consumer Duty. So in some ways, I think that is a good result that we are seeing 70% of people are confident, but actually it is probably quite a good result that 30% still think there is more to do.

So, we are seeing firms act on the cross-cutting rules. We are seeing them consider outcomes. We are seeing them use and refine the management information and the data they use to demonstrate those good outcomes. That is all good and that is all a positive step forward.

I would also say we have seen some evidence of the green shoots of a culture shift, particularly around firms thinking about their business models and, as the business models are developing, we are seeing increasing digitisation in banking, for example. We are seeing Boards, Executives take a step back and think, 'How do we ensure this is customer focused?'. That shift to embedding, that shift to more customer focus and the measurement of that, as well as the ownership within the firm by accountable Executives in particular, is very much leading to an improved focus on service, service metrics which, in turn, is improving standards for customers. So, that's all good.

However, there are also examples of times and instances where firms need to do more to embed the Duty. For example, where the Duty and its aims have not been picked up in all areas across the firm and perhaps still being driven by a project or programme team or being caught by the second line, so the risk area actually coming in and saying, 'This is not quite right', or, 'There is something not happening here'. We really want to see that coming through the firm, both top down and bottom up.

We have still seen some firms where there could be more attention at ExCo and Board level, possibly thinking it is all done, when clearly I think one of the messages that will come out of today is we are certainly not done from our perspective. We will continue to supervise firms against the expectations in the Duty and we will be looking to see that cultural shift across the firm and consumer outcomes really being at the forefront of what firms are doing. But, that is not to downplay the really significant efforts that have gone in and the real progress that has been made. Again, I think we will talk later about some of the really positive examples we have seen. I think we are really starting to see that culture change come through.

Emma Stranack

Thank you, David. So some improvements there, but also a bit of room for improvement to go. Moving on to Matt, many of the rules announced in the insurance industry over the past years are already well aligned with the Duty. So has that put your firms in a good position?

Matt Brewis, Director of Insurance, FCA

Thank you, Emma. Yes, insurance firms have had a couple of years to implement a large part of the rules, especially in the Retail space in general insurance. And so we've had a good opportunity to see some of the things that work well and some of the things that have worked less well, which has helped everyone, actually, with their development. Insurers have been the guinea pigs for parts of the Duty.

There are areas, though, where I think we could have seen more and we will need to see more progress being made. The number of products that have been withdrawn due to poor value has been smaller than I would have expected and some of the interventions that we have already made around certain product lines – such as GAP Insurance, such as in our report around multiple occupancy buildings insurance where we have seen significant levels of commission being charged to consumers – have been areas where we have been disappointed with the lack of consideration that firms have given to fair value.

And so those are the conversations that we want to continue to have. We will continue to publish guidance, as we have done on both of those issues, and with more forthcoming guidance coming out over the next few months, we hope that this will help firms as they continue to evolve the journey of selling products that meet their customers' needs.

Emma Stranack

Thank you, Matt. So moving on to consumer investment firms, Kate, what's the picture there?

Kate Tuckley, Head of Consumer Investments, FCA

We've seen some really positive examples of firms using the Consumer Duty to have a real impact on consumer outcomes. For example, significant changes to charging structures and using the Consumer Duty as a positive driver of change.

But, we think that our consumer investment firms still have a long way to go. We want to see firms doing more. We expect to see firms not just setting up their Consumer Duty framework and then stepping back, but but continually going back to it, revising it and refreshing it.

We also appreciate that some of the smaller firms, of which we have many in Consumer Investments, face challenges in understanding our expectations. Our website, however, provides extensive information and I would ask firms to take a look at that. There is a wealth of speeches, guidance, policy and newsletters and, in our guidance, obviously some very detailed examples of good and poor practice.

We've also, in the Consumer Investment space, sent out some 'Dear CEO' letters in the last period, in particular in the wealth management space, in the SIPP operator space and in the investment platform space, and we would ask firms to take a look at those and consider them in detail. We want Boards to take on board our feedback, review their own processes and approaches and be able to evidence the steps they've taken to address the areas of concerns that we've set out.

In Consumer Investments, we've spent a lot of our supervisory focus recently looking at different areas. For example, looking at the embedding of the Consumer Duty in some of our trading app firms and looking at how some of their practices in relation to gamification, the use of confetti to exploit customer biases and perhaps promote riskier trading activity.

We've also been looking at the fair value provided by investment platforms and, in particular, how they're retaining interest on cash balances. And we've also been looking, looking more recently at how firms that are applying to approve crypto promotions are not even considering when they are engaging with us the Consumer Duty – and this obviously gives us a greater area, gives us real cause for concern in that it reflects that they're possibly not considering the Consumer Duty in their lines of business.

So in short, still some good work and some real positive examples, but lots lots of still progress still to go, I would say.

Emma Stranack

Thank you, Kate. That is really helpful insight on the Consumer Investment side. Now, finally, I am going to come to you, Roma. When we ran our survey of small firms earlier this year, some of those firms were a bit further behind in their work. What is the picture now?

Roma Pearson, Director of Consumer Finance, FCA

Thanks, Emma. Well, I think, firstly, there, while there was a real concerted effort across the consumer finance market to implement the Duty, that survey, prior to July, did tell us that there were some areas that weren't quite as progressed as we would have wanted them to have been.

So, since then, there have been some real concerted efforts by our supervisors to reach out to the hard to reach firms and some of the much smaller firms.

We ran a webinar in July for retail finance and debt advice firms and we have been really pleased to see as well the level and extent of support that firms are getting from their trade associations and representative bodies. And I think, together, that additional level of support with what was already available, as Kate just mentioned, has really prompted more positive progress towards implementing the Duty. So, we've seen some steps and progress in a really healthy way.

Clearly, now, the focus is on embedding and, like others, we have seen a mix of examples, good examples and some not so good examples across the market, and if I can just touch on a couple of those here.

Some of the good examples we have seen: some firms reviewing their pay and bonus structures, really looking underneath what's incentivising their staff and the impact that has on customer outcomes. That has led to some changes – some bonuses being withdrawn and looking at quality as well as looking at the, you know, reaching some of those targets.

We have also seen improvements in website marketing of loans, particularly to higher risk profile consumers. And these reviews have led to a removal of some of the more emotive aspects of the promotions, playing to the biases of some of these consumers. So it's good to see that this has been looked at much more deeply by some firms.

In terms of where we have seen examples where more could be done, we have seen where some firms are not investing quite as much time in training their staff to an appropriate level, particularly in those areas where the consumer needs are more complex or the products are more complex. So really having staff that understand those complexities, both the product and the customer needs, are so important, in order to understand the consumer's needs, the financial objectives and get them to a solution that really is fitting with what they need.

So, a similar picture, Emma.

Emma Stranack

Thank you. Thanks, Roma, and thanks, all of you, for explaining a bit about how the Duty embedding is going.

Now, moving on to some of our key areas of focus, we're going to bring in some of the themes that a lot of you have asked questions about in advance of today's session. And I'm going to start off with fair value. Here, the focus of our rules is on ensuring that what the customer pays for a product or service is reasonable compared to the overall benefits. Importantly, it's not all about price but it is about overall value.

I'm going to start with Kate. It's been a hot topic amongst investment firms. Can you talk us through some of the examples of good and poor practice that you're seeing?

Kate Tuckley

Thanks, Emma. Yes, so we expect all of our consumer investment firms to individually consider if their fee structure or charging model provides fair value and we expect the adviser charges and fees, for example, to provide real benefit and value to the consumers.

So we've seen some really good practice. As I said earlier, we've seen some firms that are assessing and overhauling their fee structures, with further changes on the horizon, which is excellent. But, we would remind firms that this is not a 'once and done' exercise, as Nisha said earlier. They need to be continually reviewing those charging structures to make sure they do continue to provide fair value.

We’ve also seen examples of firms cutting or removing charges on some services, capping fees for long-term customers where they’re not necessary and giving refunds for services that have not actually been delivered and have not provided good value – which we think are excellent examples.

We’ve also seen, in some of our wealth managers, firms moving clients away from expensive bespoke portfolios to simpler portfolios where they are better suited to the size of investment that that customer has made.

However, a significant area of concern for us, and one in which we are seeing currently poor practice, is that many firms are still charging clients for a service that they are not benefitting from on an ongoing basis. We’re seeing too many firms providing a service which the client doesn't actually need. And the worst examples of that is where a customer is paying for a service, for example, an annual review, which it doesn't actually get at all. So, I would say there is much work still to be done there.

We’ve also been looking, as I said earlier, at our trading app firms. We’re seeing lots of new customers coming into those firms at the moment and we are seeing some of those firms structuring their products and the fees and charges that go with those products and not really focusing on the value that they provide, especially when you look at the risks of some of those products for some of our consumers and especially some of our younger consumers that are entering the consumer investment space.

Emma Stranack

Thank you, Kate. So moving on to retail banking, David, obviously this is an area where you’ve been doing a lot of work, particularly in terms of cash savings recently. So what are you seeing come through?

David Geale

Well, I think, as you said right at the outset, Emma, many of these issues are cross-cutting and what we will find is the points we are making are relevant to all sectors. I would firstly echo a lot of what Kate has just said. You can take the nuance of the different products and apply that to the banking market.

But, we have looked specifically, as you say, at cash savings. We will, today, be publishing an update on progress in the cash savings market and that follows on from the review that we published in July this year.

I think the top line message is that we have seen some positive progress since July. We are seeing that the savings market is more competitive now than it was. I mean, that includes seeing many easy access accounts paying above 5%, so there has been some shift there.

Equally, we have seen an introduction of more comms from firms and more targeted comms that have led people to move some of their money around. Actually, people are considering more about whether they need their money in instant access. Does it need to be instantly available or could they put it into a term account or a notice account that may provide a higher interest rate? It is about thinking about that value proposition in the round.

But specifically, following the introduction of the Consumer Duty, we requested nine firms to provide us with their fair value assessments for their lowest paying, on sale, easy access savings accounts. Our review of those assessments has raised some important questions about how firms assess value. It is thinking about the frameworks they use, the execution of those frameworks, so actually how they go about using them, and then what they do with the results, so actually ensuring that follows through to some form of action.

We will continue to monitor the savings market very closely through 2024 and we will work with firms over the next few months to ensure that customers receive fair value. I would also again recognise that a lot of work has gone into these assessments, but it is the first time that firms have really done it. So, there is more to do and we will be working with the industry to make sure that happens.

Emma Stranack

Thank you, David. So Roma, in Consumer Finance, you have a number of non-profit making firms. So how does fair value apply in those situations?

Roma Pearson

We do, Emma - non-profit organisations, as well as some organisations that offer free products, and fair value absolutely does apply here as well in both those circumstances. Firms should consider if customers are incurring non-financial costs and whether those costs are reasonable in relation to the benefits of the product or service provided.

For example, the time and effort it takes for consumers to access and engage with advice, for example; any unsuitable features that can lead to foreseeable harm or frustrate the customer’s use of the product or service.

So if we continue with the debt advice example, just to bring this to life, routinely, it’s very important, actually, in the debt advice scenario that information is gathered to fully understand the customer’s circumstances. They often are complex. But if firms are falling into routinely doing that for every customer and following a process rather than really considering the individual needs of the customer, that can start to bring in unacceptable delays to that debt advice and the ultimate solution and that might mean, for example, in some circumstances, additional creditor fees or charges are due.

So I think the plea here in this situation is just really giving consideration whether routinely it's needed to gather all that information for every consumer.

Now, just thinking about another example – I did mention that some providers offer free products and so, on the face of it, the assumption might be here that, 'Well, they're free - of course they are fair value'.

But if we think about this in terms of a credit broker and a retailer business, the retailer might be subsidising the interest free payments for a period of time, however many months that might be, but consideration needs to be given here for the consumer outcomes and the fair value if the customer, at some point in the future, finds themselves in a situation where they can't complete the payments on time and that moves into an interest bearing product.

So it's really important that all these key features are also considered as part of that fair value assessment, to just really ensure that the consumers are getting the outcomes and a fair value product.

Emma Stranack

Thank you. So Roma, I mean, clearly really important to understand your customer and their circumstances and what works best for them.

Matt, moving on, your work on GAP Insurance highlighted some concerns around products that were not necessarily providing fair value to customers. Are there any learnings from that work that you can share with us?

Matt Brewis

Yes. Thank you, Emma. We've been publishing for the last two years a publication focused on value measures – so across a number of products, the number of claims that are made against them, the amount used to pay claims, how often they were upheld, etc., and across different firms.

And this is a really useful way of understanding how products are providing value with some relatively basic metrics. It does not tell the whole story, but it tells some of the story. And one of those that we pulled out in our reports over the last couple of years has been around GAP Insurance, where we have a product that is only about 6% of the premium – so, 6p in every £1 of premium that's paid is used to pay claims and, in some cases, up to 70p is used to pay commission to brokers or to the garages where these products are sold.

Now, it's difficult for me to sit here and defend any product that where it is so one-sided on behalf of the manufacturers and the brokers compared to the consumer and who gets value from that product. And so we have asked all the providers and manufacturers of those products to justify or show us how they have seen that those products offer fair value. That piece of work is going on at the moment.

But one really important thing to say is fair value is not just about the price. And Emma said this already, but I think it really bears repeating because, especially in insurance but the same for many products, there is a lot of value that people get from peace of mind from owning that product. Sometimes people are willing to pay more for one because of the level of service that they get, and so you'd expect to see an advised product would potentially cost more than a non-advised one.

All of these are aspects that, when firms are considering their fair value assessments, we'd be expecting them to take into account.

So as has been said throughout this, there's going to be more guidance around these and how we expect fair value assessments to be undertaken. We're all learning.

But I think one of the key questions that I always say when I'm talking about fair value is, 'Would you buy this product? Would you sell it to a parent or a neighbour?'. If you're not going to do that, then why would you sell it to a customer? So that's just a useful test, I think, to think about when you are considering the value of these types of products.

Thank you.

Emma Stranack

Thank you. Thank you very much, Matt. Really interesting on fair value. There're there are a number of questions coming in, so we will take a bit more of a deep dive later on into some of those questions. But we're going to move on now to vulnerability.

The Duty makes an explicit reference to firms paying attention to the needs of customers that have characteristics of vulnerability. A number of you have asked for examples of good practice as part of your questions ahead of this session today.

So I'm going to turn first to Roma and ask, have you seen any good examples of consumer finance firms taking steps to improve outcomes, particularly for vulnerable consumers?

Roma Pearson

Thanks, Emma - and happy to touch on a number of examples, actually, that we've come across in the consumer finance market. So really pleased to see these coming through.

We've seen some examples where firms have actually done a wholesale review of their business model and their operation, and this has included reviewing their approach, their systems and their processes and actually centralising some of their operations from multiple sites into one and looking at that in a concentrated way. Now, this has led to quite a number of improvements; improvements in and more consistency in the handling of vulnerable customers by specialist staff. We have also seen improvements to capturing better quality data and identifying trends earlier, and improvements in the quality assurance and the compliance monitoring.

Bringing it together, in the examples that we have seen, have clearly brought these improvements for these particular firms. It’s not a model that fits and suits everyone, but there certainly were strong reasons for this to be happening in the particular firms that we did see it coming through on. And ultimately allowed them to inform any trends that they were identifying and any changes off the back of that that they needed to make.

Some other examples that we’ve seen coming through are in relation to introducing the services to become more accessible for hearing or visually impaired clients. So some of these amendments or adjustments have already been made in a number of firms that we’ve seen, but it was really good to see firms taking a step back and having a real good look at, ‘Are we doing enough here? Is there more that we can be doing to make these services more accessible?’.

And finally, we’ve seen quite wholesale reviews of communications, actually, which has been really pleasing to see. These reviews have been encompassing, you know, whether this information is suitable for certain cohorts of customers with certain characteristics – so, for customers with lower financial literacy or where English is not their first language – so giving careful thought again to whether they can improve how they communicate and what they communicate, just to help ensure that those consumers feel included and have the information in the format that they need to make informed choices.

Emma Stranack

Thank you. Thanks, Roma. Really helpful, lots of very important information there for assessing vulnerability, and I think particularly thinking about accessibility and clear communications being absolutely key.

David, in retail banking, what is the approach there on vulnerability? I think probably, especially considering the cost -of -living at the moment, vulnerability must be a real feature.

David Geale

Well, absolutely. Again, I think many of the issues in retail banking will be similar to those in Consumer Finance. So, I would again echo what Roma has said, but I will try and build on that specifically for retail banking.

So, as part of our implementation work, we suggested firms should prioritise the biggest areas of material harm, and that should be what they have identified from their Consumer Duty programme gap analysis.

I would say that there is a particular focus at the moment, because of the cost-of-living challenges that everybody is facing into and specific groups of customers in particular. Crucial to delivering good outcomes, I think, is the Duty and, in particular, around those customers who may be in difficult financial circumstances because they can be at much higher risk of harm, particularly when they are struggling to pay their bills – whether that is their financial bills to the banks or even utilities or even food and so on.

So, the Consumer Duty raises that expectation on firms and the need for them to step up and support customers where they may be facing those financial challenges. Now, that, to me, means being more alert to customers needing to seek support, thinking about the types of support that customers need, thinking about the channels through which you engage with those customers. For the digitally excluded, there is no point sending them an email, for example. It is thinking about how the customers need to talk to you.

We have seen firms do some of that. We have seen some really big moves in terms of firms staffing up to be ready for those sort of areas of concern. We have seen firms carrying out a huge number of outreach calls to customers, where they have identified they may face into some form of difficulty. Taking ownership and actually providing that support and thinking about what is right for the customer – that has been really good to see, but it is something that very much needs to continue because we are clearly not out of the woods yet.

The other thing I would call out is actually around firms needing to consider the impact for SME banking customers. SMEs are covered under the Duty and many of these will be people who are in similar circumstances to individual retail consumers – so, thinking about that, thinking about the impact and thinking about the challenges they may face.

In our work up to July, and indeed beyond that, we found evidence that Consumer Duty programmes within firms had found weaknesses in frameworks and processes for identifying and supporting vulnerable customers. For example, an inability to track vulnerable customers, gaps in the services that were offered, challenges around the channels through which the support services were provided and gaps in data. That needs to be a really key consideration for firms going forward.

Again, I think some really encouraging signs in terms of what firms have done through the last few months and the last couple of years, but more to do, thinking about that outcome, thinking about those channels in particular.

If I were to call out one thing, I think we have seen some challenges in firms around meeting the previous vulnerability guidance and what the Duty programme has done is help them to highlight where those gaps are. The key now is to act on it.

Emma Stranack

Thank you. Thanks very much, David. I think, finally, then, I will move on to Kate. In consumer investment firms, what's their approach on vulnerability?

Kate Tuckley

Thanks, Emma. I have to say, unfortunately, overall, we are relatively disappointed with the consumer investment firms' approach to vulnerability. Evidence suggests that it is actually viewed as quite low priority for firms and we've also seen firms that do not consider it at all and provide the relevant support to consumers who are vulnerable.

In our recent wealth data survey, we highlighted that 49% of portfolio managers and 69% of stock brokers identified no vulnerable customers. Yet, 50% of us will be classed as vulnerable consumers at some point over our lifetime. We are, therefore, exceptionally concerned that firms are just not thinking widely enough on this topic, instead taking a very narrow and potentially incorrect view and equating wealth and thinking about wealth and thinking that it can never mean vulnerability, which we just do not think can be the case.

And particular areas of poor practice here, we've seen, for example, some firms that automatically assess all of their consumers as vulnerable over a certain age, which we think a blanket approach in that way doesn't really get to the heart of assessing vulnerability. You need to take a much more nuanced approach, although we appreciate that consumers over a certain age may demonstrate and exhibit characteristics of vulnerability.

We've also seen, we've also seen some evidence that firms ask their consumers to self-identify vulnerability and then provide the evidence to back that up. We do not think that's good enough. We have also seen some firms who ask their consumers to identify as a vulnerable, but then suggest that might be a barrier to access to those services – which, again, is not great practice.

However, not to end on a bad note, there are firms that are engaging with this and doing it really well. So for example, we've seen some firms that are proactively spotting and monitoring their firms' trading activity and where they see it slipping potentially into gambling like activity, reaching out to those consumers to see if they can support them better.

We've also seen some firm who are turning off the productivity metrics for their staff when they identify that someone is vulnerable and we have seen some really creative ways for those that are elderly and are trying to navigate customer identification to make sure that they are not vulnerable or subject to frauds and scams.

So there is some good stuff there but, overall, I would say slightly disappointed.

Emma Stranack

Thank you, Kate. Good to see that there are some examples of good practice amongst those. But also, what I found particularly salient there is that half of us may at some point be considered vulnerable, which is huge.

So we're now moving on to information sharing. Under the Duty, firms must continue sharing relevant information with each other to support good customer outcomes. So Kate, I'm going to come immediately back to you, if I may? Is this something that consumer investment firms are doing well or are you identifying areas of concern?

Kate Tuckley

So obviously information sharing affects firms across the distribution chain and, of course, consumer investment firms play a key part in that. And we understand that many firms have concerns and challenges around the distribution of information, in particular in light of the Consumer Duty.

So we have some concerns around information sharing both up and down that distribution chain. In particular, we've seen some firms providing information that doesn't enable other participants to actually assess value or, where where a firm has identified that a product may not provide good value, they're not giving enough reasons or not explaining what they are doing about it.

So we've seen some examples of high level short statements opining on the value, but they don't have enough reasoning to actually give much support to those firms that are looking at it.

In other situations, we've seen some firms not sharing enough product information at all and others that are sharing too much – in fact, extreme examples where they are sharing line by line customer data.

Now, effective sharing of information and data is critical for good product governance. For example, to help manufacturers develop better products for their target market, but also for distributors to make sure that they are identifying the right consumers to whom they should actually promote their Products and Services.

But, overall, I would say, in Consumer Investments, we expect information sharing to be proportionate and we certainly don't want to see the Consumer Duty leading to the development of a cottage industry where information sharing may ultimately then end up being a cost to the end consumer.

Emma Stranack

Thank you, Kate. So moving on to you, Roma, what picture are you seeing in Consumer Finance?

Roma Pearson

Well, I think all the points that Kate's just set out equally apply to probably most of our market. But, so, equally, in Consumer Finance, it's still not happening to the degree and extent it should be. The scope of the Duty is intentionally broad here. It applies to all firms in the distribution chain that have a key role in delivering retail customer outcomes, just as Kate outlined.

Different firms will likely focus on different aspects, but they all need to work together. Firms need to consider where they have a material influence on retail customer outcomes, and then consider how the Duty applies.

What I want us to move away from, and the conversations we've been hearing and some feedback that we get in Consumer Finance, is lots of messages around, 'I can't do it. It's too difficult', or, 'Actually, I don't want the responsibility that comes with it'. So a key message from me here today is that that's, that's not the starting point. The starting point should be, 'What information do we need to share? What's my role within this distribution chain to ultimately deliver on those good consumer outcomes?'.

So I think here firms need to work together better to secure those outcomes for the mutual interests of the customers and for the customers at the end of the supply chain.

I think just one other thing to sort of draw out here, given the conversation we've just had on vulnerability as well. If we think about a situation where, let's say a creditor is instructing a debt collector firm and passing on information in relation to that debt collector to help them undertake their activities, that creditor may well have information that will help smooth that journey for the consumer as it moves on to that next part of the distribution chain.

So for example, if a customer has limited financial literacy or has/needs extra support for accessibility reasons, then assuming you've got the grounds to pass on that information, that will make a tremendous effort to the level of engagement much more quickly that that consumer will have as they move on to deal with the debt collector firm. So it's important to think about that information sharing through that lens as well.

Emma Stranack

Thank you. Thanks, Roma. So moving on to insurance and information sharing, Matt, what are you seeing?

Matt Brewis

So much of what Kate and Roma have said has been similar, so I won't repeat all of that. I think there's less less of this about information sharing with customers, it's more about the distribution chain.

So what I'm going to do is focus on where we've seen some good stuff happening, which has been actually some of the trade associations have looked at how they can help provide, especially for smaller firms, a way of carrying out things like fair value assessments, where it is important to do something across across the chain with some of the key information that they could use in order to make their assessments. And it's been good to see that kind of innovation.

Where we've seen, what we have seen, that I would like us to move away from, is every insurer, every manufacturer having their own bespoke form and some relatively small brokers getting bombarded with many, many different forms that they need to complete.

So, some level of standardisation focusing on the key issues, without, without overriding the whole principle here that of ensuring that it's collecting the key information and that different products will be different. But, looking at where, as much as possible, what can be done to not increase the costs in a way that results in difficulties for – creating a cottage industry, really, that Kate talked about before is the key thing that we want to get away from and ensuring that, actually, these add value. They are not just paper based tick box cottage industries but things that actually add values to the products.

And so it's an area where I think this is probably one of those where there's probably the furthest to go, but this will take all of us – manufacturers, brokers and kind of groups like the trade bodies that I mentioned – working together with us to to improve this.

Emma Stranack

Thank you. So now, for the final issue we'll cover in the panel session before we move on to questions, I'm going to turn to closed products. As Nisha mentioned earlier, the Duty comes into force for closed products on 31 July 2024 and, looking at our audience poll, 61% of firms feel confident they're on track.

So Matt, do you think insurance firms are on track to meet this deadline? And have you got any advice for them on what good preparation looks like?

Matt Brewis

Thanks, Emma. Yeah it's difficult to know if 61% is if that's a good number or not, because there'll be lots of firms in different sectors who don't really have closed closed books. But certainly in the life sector, closed products is a big issue and is probably where I see the most amount of work still to be done around the Consumer Duty. That's where it's it's going to be.

We're looking at products here that were written some of them as late, as early as the 1980s/1990s that are still in force, and some of those are going to have clauses or guarantees or other parts to them that just were of their time but don't provide value in the way that we talk about it today and the way that we expect with the Consumer Duty.

So, for the last year or so, in all of our letters to the life sector, in all events like this – and I've done many of them – I've been saying, 'Actually, if you have issues with your closed books, come speak to us because I'm certain that every firm is going to be suffering with similar concerns and there might be some areas where we can centrally bring those together and there might be some things that we can do'. It might mean a set of rules that need changing or other things, where it is very difficult to change individual old products.

And the clamour for my door has not been as deafening as I was expecting, which either suggests one of two things – either it's been really easy for everyone to do it themselves; or these things are being papered over. Actually, or a third thing – they haven't got to it yet.

And I'm still not entirely sure which of those it is, but I will repeat my offer. If any firms or anyone has issue with their closed products and is trying to work out what to do with certain old clauses in contracts and how do they bring them up to date to meet fair value requirements, come speak to me and to my team because we think this is a really important part for many, many consumers in the UK.

Thank you.

Emma Stranack

Thank you, Matt. Well, you've heard the offer. Matt Brewis is available to answer your questions.

Before we close off on this one, David, I wanted to give you the opportunity to give us an idea for retail banking on closed products, how things are going.

David Geale

Well, I think the short answer is that the job clearly is not finished and that, actually, the closed book deadline will, for some firms, be even more of a challenge than the original one in July this year.

For example, if we look at the nature of banking, we can see some mortgages, savings products, for example, that may be very longstanding as products and there are pockets where we see significant instances of customer inertia –

people sitting in legacy accounts that have not changed for years when they could be achieving better value.

We are seeing firms mobilise. We are seeing firms scoping impacted Products and Services, building their plans and, importantly, securing the funding and the resource to actually go through those exercises internally.

We are also seeing some positive examples of firms using lessons learned from the implementation of the Duty for on sale products and thinking about that and getting challenged from their Boards, their Board champions, their Executives, around all of that.

I think, personally, our work on cash savings, it is an interesting area here. There is quite a lot of closed products. There are very marked differences in rates for sometimes on sale and off sale products that, can on the face of it, would be quite hard to explain. So, we expect firm to consider what constitutes fair value and what constitutes fair outcomes, for example, ensuring that each product provides value and helping customers to move their money where appropriate to achieve that right outcome. It is very much, as Nisha said at the beginning, it is getting the right customer in the right product at the right time.

I touched on the fact that we have seen some evidence of people moving to term and notice products where they do not actually need instant access and, therefore, why are they giving up extra interest to have that?

We will be working very closely with colleagues in the Payments division because people take their banking services not just from banks nowadays. As I say, we want to ensure that people have the right understanding, know what it is they are getting into, know what the value is that they are achieving and that that can lead to a dynamic and competitive market.

So, we will continue to be proactive, engaging through our portfolio letters, speaking engagements, industry events and with trade associations, as well as events we have run such as, we have run round tables with Board champions, for example, which we found very useful to consider what are the areas that are coming up and what are the challenges you are facing.

I think a lot to do, good progress being made, let us capture the lessons from the on sale review and make sure they are brought forward for the closed book deadline in July next year.

Emma Stranack

Thank you. Thanks very much, David. Now, we’re coming to the end of the panel discussion but, before we move on to the Q&A, I have one final question for each of you. I’m going to start at the end of the panel. What is the biggest thing that you would like firms in your sector to take away from today’s session? David.

David Geale

Well, I think that there has clearly been a lot that we have discussed. I think the key thing for me is there has been some really good work done, some really positive changes made and plenty to build on. But, the key message is don't stop now. This work will never be done, as such.

The real culture shift that we want to see is that customer outcome is always considered throughout all of the activities, the processes, the products, the services of the firm and, if you do that and build that in, then you will be in a really good place.

Emma Stranack

Kate, on to you.

Kate Tuckley

I would say it's be proactive. Don't wait for us to intervene, we expect our firms to lead from the front. And we do see many firms being proactive, but we also see many waiting for us to act, to see which way we will move to address an issue. We do not think this is good enough.

We want you to be proactive and we think, if you're not, it may cause more difficulties down the road, especially if we have to identify and mitigate a problem ourselves which may mean using our intervention supervisory tools and potentially enforcement.

Emma Stranack

Matt, over to you.

Matt Brewis

Thank you. Firstly, what they said, but also we published a series of letters in September – one for funeral plans, one for life insurance, one for general insurance, one for the wholesale firms – focusing on what it is that we're going to focus on over the next two years. Consumer Duty ran through all of that, slightly less for wholesale, all the other three completely down the middle, all about the Consumer Duty.

Those are the areas we're going to focus on and where we will be focusing our work, so please read those. But, fair value, I think, is the area that is the thing that shines out of all of those as the area where we've got the biggest focus right now and so we hope you do, too.

Emma Stranack

Thank you, Matt. So, finally, Roma.

Roma Pearson

Okay, thank you, Emma. Three things from me, really. Don't confuse having implemented the Duty in your firm as the job's now done. It's your responsibility to embed these practices.

Embedding itself is much more about making, it's about making sure that it's a fact of life for the business that it works and that it evolves based on experience – that's your experience – the changes in your products and the changes in your customers, too.

It's a continuous evolution and the real test of whether it's working will be reflected very much in your customers' experiences and their trust in you, ultimately.

Emma Stranack

Thank you very much, Roma. So be proactive, Consumer Duty is always on and don't rest on your laurels.

Q&A session

Emma Stranack

Questions now. I'm going to move to the questions that you've submitted in advance, but also some of the ones that you're sending us in today. I'm going to invite Nisha to re-join the panel and, as I mentioned earlier, I'm really sorry, we probably won't be able to address absolutely all the questions but we are grouping them into themes. We will deal with as many of them as possible and I'm going to kick off straight away with David.

So following on from this panel session, we've had a lot of questions in about what good would look like for fair value assessments. Is that something you could pick up on?

David Geale

Yes, and I think it is a good question. As I said earlier, for many firms, they will be doing this for the first time, so and we recognise that.

I think, at a fundamental level, this is about considering the relationship between price and benefits for customers. So, it is not all about cost, it is not all about service – it is about putting those together. So, we really want to see firms thinking about that in some depth, developing their frameworks, executing them and then acting on that. That, again, I think, for me, is absolutely key.

It is not about justifying the price point that you already have. I think that would be missing a trick and I think that would risk you tripping over. You should be taking a step back, looking at, as I say, what are the benefits and features of a product and a service? What are the limitations, if there are any, of those products and services? Who are they being sold to? What are the needs of that target market? Are they actually being delivered by the product and service? Tracking that, building on your management information and thinking about your communications.

Putting all of that together and then, I think, looking and saying, 'Okay, is the product or service acting as you would expect it to do?'. When you look at things like the cost of providing that, is that relationship between the price that the customer is paying and the benefit reasonable?

It is not all about cost. The lowest cost does not necessarily mean the best product and different groups of customers may value different things. So, if I look at banking as an example, a fantastic digital rate may not be any good for somebody who cannot operate in a digital manner, that they need actually face to face services. So, thinking about that relationship is absolutely key.

But, I think if you put all of those together – you think about the nature and the benefits of the product and service, the limitations, who it is going to, how you track it – then I think you can come to a robust assessment. Then, as I have repeated a number of times, you do that assessment, you execute it for each product and service, thinking about the different customer groups, especially vulnerable customers and how it may land with them, and then act on what you have found.

Emma Stranack

Thank you, David, very clear. So Nisha, we've been getting some feedback there has been a lot of focus on price and value outcome. Should we expect the same level of attention on other Consumer Duty outcomes?

Nisha Arora

Thanks, Emma. Look, absolutely. I mean, yes, there has been a lot of focus on price and value, but I do want to underline the importance of all of the outcomes around products and services, understanding and support. They are all there for a reason. They are not there by accident. They run through the whole consumer journey, and you have really got to think about them as you look at your consumer journeys and you look at the products and services you are providing and the outcomes you are delivering.

All of the outcomes are actually mutually reinforcing as well. So, for example, if a product is well designed, if it is transparently sold, if it is communicated well, if your customers are getting the right support, it is more likely that that product will offer fair value.

Conversely, when we see prices being obscured, people cannot make choices, people are not clear on the price or the product is not suitable for their needs, it is less likely to offer fair value. So, you have got to look at all of those things in the round.

Now, even on the cases and the work that we have published recently – for example, around cash savings – everyone has alighted on that as a price and value issue, which it is, that is prominent there. But if you look at the report that was published by the FCA, it actually takes you through all of the outcomes and talks about the relevance of all of those four different outcomes to the cash savings market. For example, effective communications was a really key one in there.

So, I think that underlines the point. All of those are really important. Really remember the top level principle, really remember those three cross-cutting rules – those are also really important – and remember the four outcomes because they run across the whole customer journey from start to finish.

Emma Stranack

Thank you. Thank you, Nisha. David, just following up on that, do you have any other particular areas of focus and improvement?

David Geale

Well, I think, as Nisha said, the outcomes are not mutually exclusive and so, actually, many of the examples we see actually cover more than one of the outcomes. I think what I would do is perhaps focus on some of the positives we have seen.

So, we have seen firms looking at the fees and charges associated with a product and, where they have seen that they can’t justify a particular fee, they have waived it. That may be for certain types of customer, it may be certain groups, but thinking about that delivery and whether fees or particular fees are justifiable and are reasonable.

We have also seen firms really take some steps to track what is happening to products when they leave their door. Are they actually reaching the target market? Are they being sold to the right people? Where that is not the case, we have seen some firms actually go out and proactively contact those customers and make sure, firstly, that they know what they have got; and, secondly, consider whether there are any further steps that need to be taken.

So there are a whole series of things like that that are happening. A lot of it is based around understanding what is going on, the frameworks upfront that they consider, but also actually understanding what happens in practice.

If I touch again on fair value, actually, an instant access product that is deemed to be fair value may not be right for everyone. So, the customer communications and understanding of customers to make sure that, actually, the people who should be in there are in there, but others may be considering different alternatives and help to get there, I think, is very important.

Finally, I would say customers in financial difficulty, this again is very key. Some of these customers will be vulnerable, but they are all in vulnerable circumstances if facing into those challenges. So, firms actually building and thinking about the support channels they provide, training their staff appropriately, thinking about the method of delivery and the ways in which they become available, as well as proactive outreach.

We have seen some really good things but, against each of those, we have seen areas where firms could do more. So, I have pitched it in the positive but I would encourage you to think about those sorts of areas for yourself and say, 'Actually, how do we stand up?'.

Emma Stranack

Thank you, David. Kate, I'm going to come to you now because we've had a few questions in about what we're seeing about how firms are approaching the consumer understanding outcome. Can you give us some examples of what you are seeing in Consumer Investments?

Kate Tuckley

Thanks, Emma, yes. So Consumer Investments, we've been engaging using the Consumer Duty with firms on new and existing products to look at how they can adapt their communication styles to really make sure that their consumers understand the risks and the benefits of those products, and actually to quite amazing effect. You know communication is key, as they say, so being really clear about the risks, being really upfront about the costs and then really making sure your customers understand the value and the benefits that they're getting. That is all really, really important.

We've also been looking at things, for example, in our wealth portfolio, unfortunately, where we do see that some firms are preying on their sort of customer trust and understanding, – so pushing more bespoke, expensive portfolios which do not really match the risk profile of those customers and are not really explaining all the risks and benefits. So that would be an area that we would say needs more focus and improvement.

We've also seen some of our stockbroking firms that use 'execution only' services are not really presenting those services in a clear, fair and not misleading way. Again, a consumer that is better informed will make better decisions and I think that is absolutely critical.

But, I just wanted to pick up on something that Nisha said earlier, and again I think David mentioned it as well, so it's about the fact that the outcomes all intertwine. So for example, when you're considering, a firm may be considering fair value, it is heavily intertwined with consumer understanding. So when our investment firms are setting out their costs and their fees, then they should be doing that in a way that gives you know really realistic customer examples of how their fees and charges will impact each set of, each different type of consumer with different size investment pots and how that relates to their target market.

And then the final thing I would say on consumer understanding is really around testing. So firms before they roll out products, should be really testing consumer understanding of the risks and benefits, but also after they've launched the product, then they should be continually reviewing and testing consumer understanding. And we don't think that should be done in a tick box way. It's not about presenting a customer with a form and saying, 'Tick this box to show you understood it'. It's about asking perhaps the customer to play back, can they explain what the risks and the benefits of that product are?

So those would be some of the things that I would touch on with consumer understanding.

Emma Stranack

Thank you. Thank you very much, Kate. Nisha, I'm going to come to you next. There's been a lot of interest in what good outcomes monitoring looks like. Can you expand on that?

Nisha Arora

Yes. So, good outcomes monitoring – start with your outcomes. Start with the outcomes you want to deliver to your consumers and then create and make sure you have got the data to evidence that. That might be the data you already have, it might be bringing in more data to do that. And importantly, it is how you use the data as well. So, you need a proper structure in place to assimilate the data, make sense of it and then consider what actions need to be taken as a result of it.

Conversely, some of the problems we have seen are where people are just using existing data, repackaging it or just using it to justify the current outcomes that they are delivering rather than actually challenging and using the data to improve those outcomes. So those are some of the mistakes to make and the things to do well.

A few other things to consider – think about the range of data that you have got. For example, customer complaints, the brilliant insight that you get from customer complaints, but it is not going to be the whole story. So, think about, as I say, the outcomes you are thinking about and you are delivering and you need to measure, and what range of data you need.

When you get the data in, as I say, analyse it and you have got to think, 'What is this data telling me?'. It is not enough to just have the data, you have then got to use it properly and really get to the heart of the root cause of some of the problems so you know what action to take.

Finally on outcomes monitoring, this is an issue that has come up. A number of people have talked about it already this morning – understanding the different outcomes that your different cohorts of customers, in particular those in vulnerable circumstances, are experiencing. So, really using our data to understand those different outcomes and ensuring that all of your customer cohorts are getting good outcomes.

Emma Stranack

Thank you, Nisha. Roma, we've got some questions in about what is expected of smaller firms versus bigger firms in relation to outcomes monitoring, and how can firms measure or demonstrate a good outcome in situations where customers may not get what they want or may not resolve their predicament?

Roma Pearson

Thanks, Emma. So some of this flows on from what Nisha was just touching on, actually. So I think, firstly, I should acknowledge that we absolutely recognise that there are firms who, well, firms have different capabilities. We have firms of many different sizes and that relates to, you know, the amount of resource they have, the complexity of their activities, the complexity of their products, as well. So we recognise that.

Within the rules and the guidance, we do allow for a more proportionate approach for those firm that have a more sort of simple business model and that they have a smaller scale offering. So there's room within the Consumer Duty to be proportionate in your approach and how you assess your outcomes.

We want to understand, you know, the rationale behind the approach that you decide to take, but that's, you'll need to help us understand that as much as you can as we come out to test what you are doing.

One question that I often encourage many firms to think about here, given that we've got this range of proportionality versus very sophisticated for the larger firms, is when you think about your MI capabilities that you're deploying for your route to market, your product design and your sales, we'll be looking for, we'll be asking you questions about, 'Are you using those same capabilities to be monitoring your consumer outcomes?'. So that's one thing for you to think about.

Nisha touched on a whole lot of data – data you currently have, that data has been enriched with all the activities you will have been undertaking over the last few months. So I would encourage you to think about how you are using that data as well.

Now, I think, to your point, Emma, or the question on, 'How can firms monitor good outcomes for those consumers that might have a different outcome, I suppose, than they might have expected when they first connected with the firm?' So I think my thoughts around this really come back to one of the core elements of the Consumer Duty, and that is, you know you have a role in understanding what your consumers' financial needs are and what their financial objectives are.

And in having the conversation or the contact that you will have with firms in gathering the information that you will through that process, it might well be that you end up in a different place with a consumer with a product that they might not have expected at the beginning of that journey, but it will be your role back to consumer understanding to explain why that's the case, why that product or that service actually meets those consumer needs.

And really, really importantly, I think, from an outcomes and a monitoring perspective, is having robust records that support that position and the journey that you have been on with those consumers.

So I think those would be the key things that I would draw out.

Emma Stranack

Thanks, Roma. Thank you very much. Moving on, David, a question has come in, 'What is the expectation of the Executives, Board and Board champions, particularly as we moved move into the closed book work?'.

David Geale

Well, I think, firstly, through talking to the Board Chairs and, indeed, a number of the Board champions, it has been evident that, actually, the implementation of the Duty has really increased the amount of airtime that the Boards are spending on customer and customer focused outcome issues. I think that is really pleasing to see and that is exactly the sort of thing that we want to be continuing when we talk about the job not being done.

So, I think, firstly, as I say, Boards discussing the issues, understanding the issues, making sure the Executive are on track and delivering. I think it is for the Executive and the accountable Executives really to be making sure they are covering all of the bases, they understand the scope of the task, the products that are involved, they've got their framework set up, funded, resourced and they are delivering against those.

Then I think there is a really important role for Boards, Board champions working with the Executives to actually look at the lessons learned from Stage One. I think there has been some incredibly useful learning and some firms have very much reflected that, actually, they started in one place, they learned some things and they changed, they adapted, they moved on. I think capturing that for the closed book review, capturing it now, thinking early and not waiting until July, I think is so so important.

I have been really pleased to see that increased focus. I think it has come as a surprise to some firms, actually, how much they felt they needed to do and needed to look at, but actually how much they valued doing it as well. I think capture that, build on that, make sure it is clear who is accountable within the firm, make sure as a Board and a Board champion you are getting the information you want to be able to tell whether the firm is on track or not and, as I say, give the backing to the firm through the resourcing, the funding, to make sure it can happen.

I think those are the key things I would pull out.

Emma Stranack

Thank you. Thanks, David. Roma, I'm going to bring you in now. Because, can you outline expectations around governance and annual reporting in smaller firms?

Roma Pearson

Yes, sure. So I think if we focus our minds – and I'm sure everyone's minds are focused on this – the first Board annual assessment is due in July. So lots of thinking about what that will encompass in order to be ready to deliver on that's really important and very much a topic of the conversation today.

There's no set criteria for an assessment, but I would be encouraging firms to think about reflecting on the actions that came from the implementation plan, some of those lessons learned that David just referenced as well, looking at those data points that have been enriched over the past few months as well. So, drawing in the information that, you know, looking at your commitments that you intended to deliver on, looking at what the MI assessments are telling you and some of the actions that have flowed from that through the decision making and bringing that all together in order to inform where you are in terms of your compliance in relation to the Consumer Duty and what more you still need to do, so a really clear action plan flowing from that and knowing how you're going to deliver the next set of changes to keep iterating and improving back to some of the key messages we were leaving you all with not that long ago.

For the very small firms, I would encourage you to think about bringing in an independent critical friend. You can choose who that might be, but I think that would bring some objectivity and independence into some of those assessments that you are drawing together. So something to think about if you're a particularly small firm.

Emma Stranack

Thank you. Staying on the topic of smaller firms, Matt, can firms take a proportionate approach in implementing the Consumer Duty?

Matt Brewis

Thank you. Yes, we've talked throughout this whole session, really, about proportionality in the various aspects. I mean, I think the key thing for me is, if you're a small firm selling simple products, actually what you need to do is a lot simpler than a more complex firm with lots of complex products, as both Roma and David have both explained in quite a bit of detail.

So, really focusing on what you're selling your customers, how you are going about doing that and all of those things around outcomes – you know, looking at your complaints, looking at how you are selling the products.

One thing that Roma said that is really important – evidencing how it is, pardon me, you keep your records of ensuring that you have followed the processes that you have set out and that you have ensured that the customers are getting the products that they need and their demands are being met.

Emma Stranack

Thank you, Matt. So I have one final question, which is for Nisha. What does success look like for the FCA under the Consumer Duty?

Nisha Arora

Thanks, Emma. So, success for the Consumer Duty – so primarily, it would be great to see firms really understanding their consumers and their customers' needs, their customer characteristics, in particular those in vulnerable circumstances, the different outcomes that the different cohorts of customers are experiencing.

It would be really good to see firms using data properly to understand their customers, to identify and spot problems before they actually occur and address them and get them right in the first place. Do not wait for us to come up and intervene. We want firms to take that action and be proactive.

The other thing I think, for me, that would look like success would be firms being not only proactive in dealing with problems, but proactive in continuously improving – so, using the data, using the outcomes monitoring so that you are on a programme of continuous improvement. It is not 'once and done', so looking at this as a continuous way to improve customer outcomes.

For the FCA, if firms can get that right, I would hope we would be intervening less to make you get that right. But we will be intervening, when we do intervene, assertively and quickly to stop problems happening. I would like to see fewer problems happening and developing in markets so we are not having to come in after the event when those problems have occurred and having to make more and more new rules. I would like us not to have to do that, but relying more and more on the Duty.

And I guess, for customers and consumers, it is really having customers who can trust and have confidence in the sector, who are empowered to act, to access information, act on it and make the right choices that are in their interests. That should lead to healthier competition, that should lead to greater innovation, that should lead to real benefits for firms. And ultimately, really, we want to see benefits for the whole economy as well – so, benefits for firms, benefits for consumers and, Emma, hopefully benefits to the economy as well.

That is what success, for me, would look like.

Closing remarks

Emma Stranack

Thank you. Thank you very much, Nisha, and thank you to all of our panellists and to all of you for joining us. That brings us to the end of our webinar. I very much hope you found it useful.

I do encourage you, please, to answer the poll questions on Slido. So hopefully on screen for you now there will be a QR code that you can scan or go to slido.com and enter the code 3150481 and answer the couple of questions there. It’s so helpful for us as we evaluate not only today, but also inform our future communications. We are also going to send you a follow-up survey which is, again, very short which will help inform that too.

If you would like to rewatch this webinar, you can go to our fca.org.uk website and the Consumer Duty pages, where there will be a plethora of information for you, including the Finalised Guidance which includes examples of good and poor practice, as we discussed, but there are also podcasts and other materials there.

Thanks again to all of you for joining us today. It’s been an absolute pleasure. Do enjoy the rest of your day. Goodbye.