

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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Financial Conduct Authority
12 Endeavour Square
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10 March 2023

By email: cp23-1@fca.org.uk

Dear Sir/Madam,

Financial Services Consumer Panel response to the FCA's consultation on insurance guidance for the support of customers in financial difficulty

The Panel welcomes the opportunity to respond to this consultation on the proposed insurance guidance for the support of customers in financial difficulty. The Panel are also grateful to the FCA's General Insurance team for discussing these proposals with us and we fully support the measures set out in this consultation.

The Panel agree with the proposals that are the subject of questions 1-5, however we have no comments to add in response to question 6 re the FCA's cost benefit analysis.

The Panel would like to make the following general observations:

Section 3 – Scope

Sadly, due to cost-of-living pressures, the risk of economic and financial abuse has increased, and the Panel additionally suggest that the FCA make firms aware of this and encourage firms to apply appropriate training and use of the insurance guidance developed by the Surviving Economic Abuse Charity¹.

Additionally, we would propose that firm's Consumer Duty Champions should note the Consumer Duty Guidance developed by the Charity². The Panel believe there is merit in including it within firm's plans.

Section 3 – Actions firms should consider

In supporting customers and exercising appropriate forbearance, firms should consider going beyond the contractual forbearance (minimum) periods that are already features of many products, particularly life insurance products, to enable policyholders to pause cover for longer or keep some level in place. This is particularly important in the case of Life Insurance, Over 50's plans and Pet Insurance where replacing cover cancelled may be problematic (difficult to secure or at an increased price) due to changes in the policyholder's/pet's age and/or health.

¹<https://survivingeconomicabuse.org/im-supporting-someone/resources-for-professionals/checklist-for-insurers/>

²<https://survivingeconomicabuse.org/how-the-consumer-duty-can-transform-responses-to-economic-abuse/>

The Panel would also strongly encourage the FCA to stress to firms that when amending a client's cover to fit their available budget, the FCA's expectation is that these policy amendments are made free of any fees or charges.

Section 3 – Signposting

Sadly, the panel observes a *"we won't do it unless and/or until the FCA requires us to"* culture prevalent in a number of market segments. We hope that this will disappear post the implementation of the New Consumer Duty. In the meantime, the Panel would propose that the FCA should take a stronger, and more directive line on signposting.

In addition to signposting to specialist advisory firms, the Panel suggest that firms either partner with or signpost clients to the cost-of-living support and resources available from Money Helper and also welfare benefit, grants and social tariff entitlement services such as the Turn2Us Charity, EntitledTo, Policy In Practice etc.

In addition to our general responses to sections of the consultation the Panel would, more broadly, encourage the FCA to further consider both the cost of distribution (i.e., commissions and charges) and its impact in its review of Consumer Duty fair value. The Panel has a concern that many consumers may be unable to afford cover due to high (in many cases opaque) distribution costs and would be better able to do so if distribution costs were lower.

Yours faithfully

Helen Charlton

Chair, Financial Services Consumer Panel

