

Consultation Paper

CP25/37**

Targeted Clarifications of Handbook Materials

December 2025

How to respond

We are asking for comments on this Consultation Paper (CP) by **27 January 2026**.

You can send them to us using the form on our [website](#).

Or in writing to:

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Chapter 1

Summary

Why we are consulting

- 1.1** The Financial Conduct Authority (FCA) is seeking stakeholders' views on targeted clarifications of our rules and guidance. These proposals are designed to:
- resolve uncertainty in our rules and guidance, that have been wholly or in part superseded.
 - introduce greater proportionality and clarity to existing rules.
 - resolve clear cases of conflict and duplication in our rules.
- 1.2** This Consultation Paper (CP) forms part of our Consumer Duty Requirements Review (CDRR). It follows our July 2024 Call for Input (CFI) on our conduct rules, and is part of the workplan announced in our [March 2025 Feedback Statement \(FS25/2\)](#). We want to simplify our requirements, by relying more on high-level rules, while ensuring we continue to support and protect customers.
- 1.3** In some areas, market practice has moved on from when we made the rules, while changes to our wider requirements have made other rules unnecessary. We want to make sure we remove outdated elements or bring them up to date. This will keep our Handbook accessible to firms of all sizes.
- 1.4** On our website, there's further information on the progress we've made delivering our Requirements Review workplan, and our future priorities following engagement with stakeholders. [The latest update](#) is from September 2025.
- 1.5** The proposals in this paper also support the priorities set out in Our Strategy: 2025-2030, published earlier this year. To enable the financial industry to succeed and steer through the next 5 years and to improve lives, we will:
- Be a smarter regulator: predictable, purposeful and proportionate. Improving our processes and embracing technology to become more efficient and effective.
 - Support growth, by enabling investment, innovation and ensuring the continued competitiveness of our world-leading financial services.
 - Help consumers navigate their financial lives by working with industry to boost innovation and ensuring the right information and support is available.
- 1.6** Cumulatively, the proposals in this paper are intended to advance these three priorities by clarifying our regulatory expectations and allowing firms more flexibility to innovate, all in the context of maintaining high standards of consumer protection, particularly those set out by the Duty.

Who this applies to

1.7 These proposals will apply to:

- Regulated firms offering products and services to retail customers or conducting retail market business
- UK authorised fund managers (AFMs)

1.8 Our proposals may also interest:

- Academics and think tanks
- Policy makers and other regulatory bodies
- Industry groups and trade bodies
- Industry experts and commentators
- Consumer groups and individual consumers

What we want to change

1.9 We want to reduce the administrative burden on firms (chapters 3,4,5) and clarify our rules (chapters 6 and 7) while maintaining high levels of consumer protection. This consultation contains several individual proposals to support this aim.

1.10 We are asking for views on the following:

- *Chapter 3 – Technical changes to the Collective Investment Schemes Sourcebook (COLL):* Proposals to streamline and simplify investment powers rules in Chapter 5 of COLL, by clarifying a rule about UK UCITS' investment powers in COLL to ensure good outcomes for investors.
- *Chapter 4 – Changes to Chapters 6 and 7 of the Client Assets Sourcebook (CASS):* We are proposing to amend record-keeping requirements for certain due diligence relationships, and to update rules on the frequency of and sources used for external custody reconciliations. We also propose to clarify the rules on the treatment of bank interest earned on client money, and on how the Duty applies to certain CASS rules.
- *Chapter 5 – Further simplifying insurance rules:* We are proposing to delete some product-specific rules, delete PROD 4.5 as this chapter is no longer required, and change an aspect of the product governance rules for funeral plans.
- *Chapter 6 – Smaller Firms Guide:* We are seeking views on our approach to creating a smaller firms guide and inviting industry views on where firms have an unmet need in understanding our requirements and how to meet this need.
- *Chapter 7 – Clarifying references to Principles 6 and 7:* Proposals to amend references to Principles 6 and 7, now we have the Consumer Duty (the Duty). We also consider references to 'treating customers fairly' which is rooted in Principle 6 and the treatment of related non-Handbook materials still accessible on our website.

Outcome we are seeking

- 1.11** The proposals in this CP seek to advance the outcomes of the Consumer Duty Requirements Review and the ambitious workplan set out in FS25/2:
- More flexibility: Enabling firms to innovate and take advantage of technology, and to tailor their approaches according to customers' circumstances, particularly those with characteristics of vulnerability.
 - More predictability: Clarifying our priorities and upcoming consultations, helping firms to plan.
 - Improved efficiency: Reducing the time, cost and complexity involved in meeting our expectations, while ensuring good customer outcomes.
 - Greater clarity: Ensuring that our rules are clear and simple, so that firms can implement them effectively and in consumers' best interests.
- 1.12** In order to succeed in achieving these outcomes, firms will need to take advantage of the changes proposed in this consultation. The changes are designed to streamline their existing processes, and to create ones in future that clearly meet our clarified expectations, while saving resource they can use to meet other challenges instead. This should benefit both firms and customers, for whom we have set high standards of protection. These are also clarified by some of these proposals.

Measuring success

- 1.13** Overall, the proposals in this paper are designed to reduce the administrative burden on firms, and clarify our requirements while adding some flexibility. As such, we do not wish to add to firms' burden by requesting data so we can monitor how they respond to each of these proposals. Each proposal is relatively minor but we expect that, when combined with other workstreams under the Requirements Review, the cumulative effect for firms and consumers will be positive.

Next steps

- 1.14** We are seeking views on our proposals. Annex 1 includes a full list of the questions we ask throughout the consultation. Please send your comments to ReviewOfRequirementsCFI@fca.org.uk by 27 January 2026.
- 1.15** The proposed amendments to CASS include clarifications to ensure consistency with the Duty, on the basis that firms are already complying with it, and minor administrative updates to existing requirements. These changes do not introduce new obligations but may require firms to complete internal governance steps, update operational processes, and in some cases amend client documentation. As such, we propose the CASS rule changes would come into force 3 months after they are made, and welcome feedback on whether this timeframe is appropriate.

- 1.16** We propose that all other rule changes proposed in this CP come into force immediately after they are made in our policy statement. We anticipate this will be in the second quarter of 2026. We are not proposing a delay in relation to the proposed changes for insurance and funeral plans rules in Chapter 5. However, we recognise firms will need a little time to adapt to the new rules. Firms already complying with our existing rules will be deemed compliant with our new rules, as we are not making substantive changes to our expectations.

Chapter 2

The wider context

The harm we are trying to reduce/prevent

- 2.1** Stakeholder feedback received through our 2024 Call for Input, and a Regulatory Summit held in July 2025, made it clear that there are aspects of our Handbook which are considered overly complex or out of date. This consultation is aimed at resolving some of those issues, alongside our wider workplan of regulatory reform.
- 2.2** Complex and outdated requirements not only harm innovation and growth but also inhibit the ability of firms to effectively implement our rules and guidance that are designed to protect customers.
- 2.3** In FS25/2 we set out an ambitious workplan, one element of which was to 'Reduce the Administrative Burden'. This entails giving firms more flexibility in how they apply our requirements, so that our regime is more outcomes-focused, reducing unnecessary burdens.
- 2.4** This consultation follows active engagement with stakeholders, including firms, consumer groups, trade bodies and others. Through our Call for Input and Regulatory Summit, we collected feedback directly linked to these proposals.
- 2.5** Such feedback included:
- Calls for clarification of the interaction between Principles 6 and 7 and the Consumer Duty (Principle 12 and PRIN 2A), including references to 'Treating Customers Fairly' (TCF).
 - Support for amending record-keeping rules for due diligence by proposing clearer guidance when records are lost.
 - Highlighting the need to broaden reconciliation rules to reflect modern fund manager practices and evolving banking technology.
 - Calls for more flexibility in handling interest owed to firms, especially where operational constraints exist. One respondent pointed out tension between the Duty and requirements in CASS which allow firms to retain interest earned on client money.
 - Several responses asked for clarifications to chapter 5 of the Collective Investment Schemes (COLL) sourcebook.
 - Support for amendments to our requirements of insurance firms, on which we have sought views through [CP25/12: Simplifying the Insurance Rules](#).
 - Smaller firms asking for further support in implementing outcomes-focussed regulation, including dedicated guides to understand our requirements. As part of this work, we also engaged our Smaller Business Practitioner Panel (SBPP).
- 2.6** The PRA and statutory panels have been provided with a summary of our proposals and are considering if any further engagement is required.

How it links to our objectives

- 2.7** We expect that by reducing the time, cost and complexity involved in meeting our rules and expectations, we will be able to protect consumers while facilitating the international completeness and growth of financial services in the UK.

Consumer protection

- 2.8** The Consumer Duty sets high standards of consumer protection across financial services for retail customers.
- 2.9** Through these proposals, we intend to reduce compliance costs for firms while maintaining high standards of consumer protection, including by leveraging the Duty where appropriate and clarifying our requirements.

Competition

- 2.10** By clarifying our expectations and having a Handbook that is more clear and up-to-date, we can support innovation by making it easier for firms to interpret and meet our expectations. This can benefit new entrants and smaller firms which lack the compliance resource of larger organisations.

Secondary international competitiveness and growth objective

- 2.11** We expect that by reducing the time, cost and complexity involved in meeting our expectations, we will be able to protect consumers while facilitating the international completeness and growth of financial services in the UK. By ensuring our expectations reflect changes in market practice, we can also be agile in supporting innovative business models.

The Consumer Duty (the Duty)

- 2.12** This consultation forms part of our exercise to address preexisting concerns about the length and complexity of our rules and guidance following the introduction of the Duty.
- 2.13** As set out above, this consultation aims to advance the objectives of the Requirements Review, including clarifying how some of our rules and expectations interact with the Duty.
- 2.14** To be able to implement the Duty effectively, firms need to clearly understand our rules and expectations. That is why proposals in this review seek to enhance the clarity of our requirements across sectors.

Environmental, social & governance considerations

- 2.15** In developing this Consultation Paper, we have considered the environmental, social and governance (ESG) implications of our proposals and our duty under ss. 1B(5) and s.3B(1)(c) of FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008. Overall, we do not consider that the proposals are relevant to contributing to those targets. We will keep this issue under review during the course of the consultation period and when considering whether to make the final rules.
- 2.16** In the meantime, we welcome your input to this consultation on this.

Equality and diversity considerations

- 2.17** We have considered the equality and diversity issues that may arise from the proposals in this Consultation Paper.
- 2.18** Overall, we do not consider that the proposals materially impact any of the groups with protected characteristics under the Equality Act 2010 (in Northern Ireland, the Equality Act is not enacted but other anti-discrimination legislation applies). But we will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when making the final rules.
- 2.19** In the meantime we welcome your input to this consultation on this.

Chapter 3

Technical Changes to COLL 5

Introduction

- 3.1** Our recent update on the Consumer Duty requirements review committed to streamline and simplify investment and borrowing powers in Chapter 5 of the Collective Investment Schemes sourcebook (COLL).
- 3.2** As a first step, we are reconsidering the part of the COLL concentration rule that relates to UK undertakings for collective investment in transferable securities (UCITS) investing in other collective investment schemes (CIS). These requirements are found at COLL 5.2.29R(3) and (6) and are difficult for firms to implement effectively.
- 3.3** We are consulting on deleting COLL 5.2.29R(3) and (6) as we think existing provisions in COLL achieve the same intended outcome.
- 3.4** As part of the Consumer Duty consultation, we had feedback from one respondent requesting additional clarity on the interpretation of COLL 5.2.11R where companies are in the same group. The same respondent also noted that the UCITS Directive refers to allowing up to 100% of a fund's assets to be invested in government and public securities but that this upper limit is not included in COLL 5.2.12R.
- 3.5** We are not addressing this feedback in this CP as it requires further consideration, but we are continuing to work on proposals.

Background to the COLL concentration rule

- 3.6** UCITS schemes commonly invest in units of other CIS. This ability may be used to create a structure known as a 'fund of funds.'
- 3.7** A fund of funds consists of the 'investing fund,' investing in units of a CIS, and a series of 'target funds,' which are the CIS being invested in. We use the terms 'investing fund' and 'target fund' in this chapter.
- 3.8** The COLL concentration rule limits the amount a UK UCITS scheme (i.e. the investing fund) can invest in units of other CIS (i.e. the target fund).
- 3.9** In July 2024, we consulted on applying the concentration rule at sub-fund level, not umbrella level, and on clarifying that COLL 5.2.29R(3) applied to the sub-fund of a CIS target fund which was an umbrella. We also proposed a 6-month transitional provision for this rule.

3.10 Taking account of consultation feedback, we made final rules published in Handbook Notice 126. These rules came into force on 31 January 2025, with a 12-month transitional period. We made this change to the concentration rule as consulted on:

- Deleting sub-paragraph (1)(c) of COLL 5.2.30R so that the 25% maximum limit applies to each individual sub-fund in an umbrella.

3.11 We also made new changes, based on feedback received:

- Disapplying COLL 5.2.29R(3) when a UCITS scheme invests in units of an authorised CIS managed by the same AFM, provided any portfolio or risk management for the investing and target funds is undertaken by the same firm.
- Clarifying that the reference in COLL 5.2.29R(3) to 'more than 25% of the units' relates to the value of scheme property, not the number of units in issue.

Why we are consulting now

3.12 After finalising the rules, some firms told us that the new rules could cause problems and gave us feedback on how we could simplify them.

3.13 We received feedback that our decision to apply the 25% investment limit to the value of scheme property and not to the total proportion of the target fund's units, could cause issues for investing funds when investing in target funds or sub-funds with differing unit sizes. For example, where units in a target fund class limited to institutional investors have a much higher denomination than units in the target fund's retail class. In such cases, the investing fund may hold less than 25% of the overall number of units (and of their related voting rights), but more than 25% of the target fund by value.

3.14 The feedback we received said that this could lead to the investing fund having to regularly redeem from the target funds to stay within the 25% limit on a value of units basis, which they suggested might not be in the unitholders' best interests.

3.15 We also received feedback that the scope of the exemption from the rule was too narrow for investing funds and target funds managed by the same AFM, with the portfolio and/or risk management of both funds being undertaken by the same firm.

3.16 Instead, we were recommended to expand the exemption to target funds that:

- are a UK authorised fund, a European Economic Area (EEA) UCITS marketing under the Temporary Marketing Permissions Regime (TMPR), or a recognised Overseas Funds Regime (OFR) scheme.
- are an 'associate of the UK AFM' (i.e. a target fund is managed by another regulated entity in the same group as the UK AFM) that have the same firm providing investment management advisory services as the investing firm.

3.17 Finally, firms fed back that they needed a two-year transitional period, because some funds needed to restructure significantly to comply with the new rules.

Summary of proposals

Overview

- 3.18** We have considered all feedback we received and have decided to consult on proposals to simplify the COLL concentration rules.
- 3.19** The transitional provisions for the COLL concentration rule (published in [Handbook Notice 126](#)) will expire on 31 January 2026. We therefore consulted in our [December 2025 Quarterly Consultation Paper \(QCP\)](#) on proposals to increase the transitional period until 31 January 2027 so that we can extend the transitional date before it expires. Subject to feedback from this consultation, and agreement from the FCA Board, we will finalise the rules to effect an extension before 30 January 2026. We therefore do not expect fund managers to take any action to comply with the COLL concentration rules that are currently due to come in on 30 January 2026.

The purpose of the COLL concentration rule

- 3.20** The concentration rule has two purposes. It helps to ensure that a UCITS scheme maintains a prudent spread of risk, and it limits the influence one fund can have over another when an investing fund invests in a target fund.
- 3.21** No such rule exists for other UK authorised schemes, such as the non-UCITS retail scheme (NURS), qualified investor scheme (QIS), or long term asset fund (LTAF). To date, we do not think the lack of a similar rule for these schemes has harmed their investors.
- 3.22** We continue to think there are benefits to having rules that address potential harm to consumers from cross-investment in funds, such as a lack of diversification, liquidity risk if the target fund faces redemptions or suspension, double-charging of entry and/or exit fees, or conflicts of interests arising from how voting rights are exercised.
- 3.23** That said, there are other rules in COLL which seek to address these risks, including:
- COLL 5.2.11R(9), which restricts an investing fund from holding more than 20% of its scheme property in units of any one CIS
 - COLL 5.2.13R, which requires any target fund to be redeemable on demand, subject to adequate risk diversification rules and without material exposure to other CIS (to prevent circularity of investment)
 - COLL 5.2.15R, which requires disclosure in the investing fund's prospectus if it holds units in another fund managed within the same group
 - COLL 5.2.16R, which prevents double-charging of any entry or exit fees for intra-group investments
 - COLL 4.2.2R, which requires an investing fund that invests a substantial portion of its assets in units of other CIS, to state in its prospectus the maximum level of management fees that may be charged to both the investing and target funds (see 4.2.5R(3)(q))

- COLL 6.6A.6R, which requires the AFM to develop adequate and effective strategies for both the exercise of voting rights to the exclusive benefit of the scheme concerned and the prevention or management of any conflict arising from the exercise of voting rights
- COLL 4.4.8R(4), which protects investors in the target fund. It does this by preventing the AFM from voting at a meeting of the target fund, for example an extraordinary general meeting, in relation to units of any investing fund it manages.

3.24 In addition, AFMs must also comply with the client's best interest rule in the Conduct of Business Sourcebook (COBS), Senior Management Arrangements, Systems and Controls (SYSC) rules on identification and prevention or management of conflicts of interests, and risk management requirements in COLL 6.11 and 6.12. Having considered these factors, we are therefore recommending we remove COLL 5.2.29R(3) and (6).

Effectiveness of the rule

3.25 We propose to remove the parts of the rule that relate to investment in other collective investment schemes. This could offer benefits, such as greater flexibility for AFMs to structure fund-of-fund arrangements efficiently, potentially resulting in better outcomes for investors and fewer fund suspensions or wind-downs due to compliance issues with the requirements.

3.26 Firms would also be able to focus compliance efforts more proportionately on overall risk management, rather than on a standalone rule that may not achieve its intended aim. As the proposed deletion is permissive, we do not expect firms to incur additional costs.

Question 1: Do you agree with our proposal to delete the section of the concentration rule that covers UK UCITS investment in CIS: COLL 5.2.29R(3) and COLL 5.2.29R(6)? If not, please specify why not.

Chapter 4

Changes to chapters 6 and 7 of the Client Assets Sourcebook (CASS)

Overview

- 4.1** In FS25/2, we committed to consulting on amendments to the requirements in the Client Assets Sourcebook (CASS), where there are opportunities to reduce unnecessary administrative burdens for firms, while maintaining high standards of client asset protection. We are also proposing to make targeted amendments to clarify how the Duty relates to certain CASS rules for retail clients.
- 4.2** These proposals support the aims of the Consumer Duty Requirements Review. By reducing unnecessary administrative burdens and better aligning CASS rules with operational realities, firms may be able to allocate resources more effectively and focus on delivering good outcomes for customers. Clarifying how certain CASS rules apply to retail clients strengthens consumer protection, reduces legal uncertainty, and avoids unintended tension between CASS and the requirements of the Duty. The proposals also reflect our 5-year strategy: clarifying our rules and offering firms greater flexibility should support growth and innovation, and advance our ambition to be a smarter, more efficient and effective regulator.
- 4.3** We are consulting on proposed amendments to CASS 6 and 7, as follows:
- Amending record-keeping requirements for certain due diligence relationships (CASS 6 and 7).
 - Broadening reconciliation rules to allow the use of records that were not envisaged when the rules were introduced (CASS 6).
 - Broadening reconciliation rules to recognise scenarios where an external statement may be receipted less frequently, for example when a fund manager in the normal course of business will only provide a statement on a quarterly basis (CASS 6).
 - Where firms receive or hold client money or assets for retail clients, clarifying how the Duty applies to certain CASS rules (CASS 6 and 7).
 - Adding flexibility within the rules for the treatment of money held in client bank accounts relating to bank interest earned on client money (CASS 7).
- 4.4** The proposals aimed at reducing administrative burden and aligning with operational realities apply across all types of client relationships, while those clarifying how the Duty applies to certain CASS rules apply only to retail client relationships. We explain our rationale for this distinction throughout the chapter.

Due diligence record-keeping requirements

- 4.5** Under CASS 6 and 7, firms must retain records of both the initial due diligence conducted on third parties and any subsequent periodic reviews, from the time the due diligence or periodic review was completed, until 5 years after the relationship with the third party ends. This applies to third parties that hold or safeguard safe custody assets (under CASS 6), and banks or qualifying money market funds (under CASS 7). This is to make sure that firms retain evidence of having completed due diligence checks on relevant third parties.
- 4.6** Because the 5-year record retention period does not begin until the end of the third-party relationship, any missing historical records result in a continuing breach for the entire duration of that relationship – even if the firm later takes action to comply with the requirements. These persistent breaches are flagged in CASS audits and impose an ongoing administrative burden on firms, auditors and the FCA, with limited potential to reduce harm.
- 4.7** We propose amending the rules in CASS 6 and 7 so that firms must retain due diligence records for 5 years from the date they are created and/or modified. This aligns the record retention requirement for due diligence records with the general record-keeping provisions in CASS, and ensures firms maintain up-to-date records without needing to retain them beyond what is necessary.

Question 2: **Do you agree with our proposal to amend the due diligence record-keeping requirements so that firms must retain records for 5 years from the date they are created and/or modified, rather than 5 years after the relationship ends? If not, please explain why and any other options we should consider.**

Record sources for the external custody reconciliation

- 4.8** Under CASS 6, firms must reconcile their internal records and accounts against the records of the third party responsible for registering the legal title to safe custody assets. For units in collective investment schemes, this typically means reconciling against fund managers' records. The desired outcome of this rule is to ensure that firms use reliable external sources of information for external custody reconciliations.
- 4.9** However, fund managers' records are often issued infrequently, and because firms usually reconcile against them manually, there is an increased risk of errors and delays in identifying discrepancies.
- 4.10** Since 2017, firms have been able to apply for a rule modification to reconcile against Euroclear UK & International's (EUI's) Investment Funds Service (IFS) for uncertificated units held by members of CREST. The IFS provides readily accessible electronic access to records of ownership transfer, enabling daily reconciliations and faster remediation of discrepancies. Firms that have used this modification have been able to demonstrate that the IFS is a reliable source for the external custody reconciliation.

- 4.11** We propose to amend CASS 6.6.35R to explicitly permit firms to use EUI's IFS System Record as a source for the external custody reconciliation, subject to specific conditions. These include entering into a written agreement with EUI and obtaining contractual undertakings that EUI will (1) reconcile its records with the relevant issuer's register of unitholders on a daily and monthly basis, and (2) notify firms of any discrepancies they identify. Firms would be required to comply with the requirements in CASS 6.6.50R for the treatment of any discrepancies notified to them by EUI.
- 4.12** As the use of the IFS System Record facilitates daily reconciliations, we propose amending the guidance in CASS 6.6.39G to explain it is best practice for firms to conduct an external custody reconciliation each business day in respect of assets for which they receive information on their holdings from EUI.

Question 3: **Do you agree with our proposals relating to the use of EUI's IFS System Record for external custody reconciliations – including the proposed conditions to ensure accuracy and reliability, and the guidance that daily reconciliations would represent best practice? If not, please explain your views and suggest any changes we should consider.**

Statement frequency for the external custody reconciliation

- 4.13** Under CASS 6, firms must conduct external custody reconciliations as regularly as necessary, and as soon as reasonably practicable after the date the reconciliation relates to. There should be no more than one month between reconciliations. Verifying internal records and accounts against an external source ensures they are complete and accurate, and that firms can promptly identify and correct discrepancies. However, this does not cover cases where a third party will not issue statements at least monthly, despite firms' reasonable endeavours to obtain them. There are also circumstances where reporting may be suspended, such as during certain corporate actions.
- 4.14** We propose adding provisions to the rules on how often firms must conduct external custody reconciliations. There are two specific scenarios in which we would allow them to conduct their external custody reconciliations less frequently. These arise where operational realities prevent them from obtaining statements at least monthly.
- 4.15** In the first scenario, a firm may be unable to obtain statements on at least a monthly basis due to the circumstances of one or more of the safe custody assets for which it needs such information. This scenario covers short-term or incidental disruptions in third-party reporting, for example during insolvency proceedings or corporate actions such as de-listings and corporate restructures. In these cases, a firm would be required to carry out external reconciliations as frequently as possible, based on the information available, aiming to resume conducting them on at least a monthly basis once the disruption ends.
- 4.16** The second scenario applies where a firm has made reasonable endeavours to obtain monthly statements, but the third party refuses to provide them as frequently as the firm requires to comply with the CASS rules – often because of their normal

business practices. This scenario relates to ongoing or structural limitations in obtaining statements. In these cases, we are proposing amending the rules so that the firm would be required to:

- Document its efforts to obtain statements at least monthly, and the third party's reasons for the refusal.
- Conduct external reconciliations as often as possible, given the information available.
- Update its policies and procedures to explain how its wider systems and controls mitigate the risks of external reconciliations happening less often.
- Undertake an annual review to determine whether the situation can be resolved, and record the outcome. This review can be done at the same time as any review the firm carries out to ensure compliance with CASS reconciliation requirements.

Question 4: Do you agree with our proposal to amend the rules to permit a firm to conduct the external custody reconciliation less frequently for client assets where it can demonstrate it is unable to obtain third party statements on at least a monthly basis? If not, please explain why.

Application of the Duty to CASS when dealing with retail clients

4.17 The Duty (the obligations in Principle 12 and PRIN 2A) sets standards for firms serving retail clients, requiring them to act in good faith, avoid foreseeable harm, and support customers in pursuing their financial objectives. We have identified a potential tension between the requirements of the Duty and those in CASS 6.4 and CASS 7.11.32R. CASS 6.4 allows firms to enter into securities financing transactions (SFTs) with clients' safe custody assets, and CASS 7.11.32R states that firms must pay interest on client money to a retail client unless they have previously notified the client in writing.

4.18 We propose to amend these CASS rules to clarify that in the context of these practices, firms must act in a way that is compatible with the Duty as well as meeting the requirements in CASS.

Retention of interest earned on retail client money

4.19 Under CASS 7.11.32R, firms must pay interest earned on client money to the client unless they have previously notified the client in writing. However, merely notifying a retail client may not be sufficient to meet the Duty. For example, under the Duty, firms must ensure that retail clients understand the implications of interest retention and that the arrangement delivers fair value. In our December 2023 Dear CEO Letter: The retention of interest earned on customers' cash balances, we said we were concerned that investment firms and SIPP operators were not complying with the Duty when retaining interest on retail clients' money.

- 4.20** We propose to amend CASS 7.11.32R and related guidance in CASS 7.11.33G to clarify that, for retail clients, a firm may only retain interest earned on their client money if it has both notified the client and doing so is compatible with the Duty. We are not proposing any amendments relating to the retention of non-retail client money.

Use of retail clients' custody assets for securities financing transactions

- 4.21** CASS 6.4.1R permits firms to use safe custody assets for SFTs where the client has given express prior consent. SFTs may put a client's assets at risk of loss or reduction of value, for example if there are collateral shortfalls or a counterparty default. This situation may also involve firms earning revenue from lending client assets, which can give rise to potential conflicts of interest that require careful management. The rule is intended to ensure clients agree to such use of their assets, given the risks. Retail clients are less likely to fully understand these risks than professional clients, so simply obtaining express prior consent from them is unlikely to be sufficient to comply with the Duty.
- 4.22** We propose to amend the rules in CASS 6.4 on the use of safe custody assets to distinguish between retail and non-retail clients. We are not proposing to amend the rules and guidance regarding non-retail clients.
- 4.23** We are proposing to clarify that if firms use retail clients' safe custody assets for SFTs when conducting retail market business, they must do so in a way consistent with their obligations under the Duty. This includes the process of obtaining express prior consent and the drawing up of the terms to which the use of the client's assets must be restricted. This means, for example, that the firm would need to ensure the client understands what they are agreeing to and accepts the risks.
- 4.24** We also propose that a firm must not use retail clients' safe custody assets for its own account or the account of any other person or client, unless it is a direct consequence of the arrangements they have made with their client for SFTs, having obtained express prior consent and acted compatibly with the Duty.
- 4.25** The intention of the proposed changes is to avoid tension between the existing requirements in CASS and the requirements under the Duty. Although the proposed rule changes reference the Duty, we do not propose to expand the scope of the CASS audit to include compliance with rules outside of the CASS Sourcebook. Accordingly, we propose amending SUP 3.10.5R to clarify that assessing compliance with the Duty, in relation to the amended rules, would be excluded from the scope of the CASS audit. We consider this exclusion to be proportionate and consistent with our outcomes-focused approach.

Question 5: **Do you agree with our proposal to amend CASS 7.11.32R to clarify that firms must comply with the Duty when retaining interest earned on retail client money? If not, please explain why, including alternative approaches.**

- Question 6:** Do you agree with our proposal to amend CASS 6.4 to clarify that firms must comply with the Duty when gaining consent for and using retail clients' safe custody assets for SFTs? If not, please explain why, including alternative approaches.
- Question 7:** Do you agree that the changes to CASS 6.4 and 7.11 should be excluded from the scope of the CASS audit? If not, please explain why.

Treatment of bank interest received into client accounts

- 4.26** There are circumstances where bank interest may be received into client accounts in a way that causes a firm to breach the CASS rules. Some of these breaches are ultimately caused by operational realities outside a firm's control. CASS does not specify how to handle these situations, and this can prevent firms from acting in their clients' best interests when segregating bank interest received into client bank accounts.
- 4.27** We therefore propose changes to the CASS rules to clarify how firms should treat bank interest received into client accounts. These changes aim to reduce unnecessary breaches and ambiguity, while protecting client money. The proposals cover 2 scenarios:
1. Receipt of firm-owed interest into client accounts.
 2. Receipt of interest into client accounts before it is due and payable to the client.

Firm-owed interest received into client bank accounts (not as part of a mixed remittance)

- 4.28** It is a breach of the current CASS rules to receive interest wholly due to the firm into a client bank account as a standalone payment. This is because the rules require firms to take necessary steps to ensure that client money is segregated in accounts separate from any accounts used to hold money belonging to the firm. The requirement to segregate aims to ensure that in the event of insolvency, it is clear to an insolvency practitioner which money belongs to clients, so that client money is not treated as part of the firm's estate. While mixed remittances – payments containing both firm and client money – are permitted under CASS 7.13.31R, provided the firm removes its portion by the next business day, a standalone payment of interest wholly owed to the firm does not meet the definition of a mixed remittance and therefore breaches the requirement in CASS 7.13.12R to take necessary steps to segregate client money.
- 4.29** We are aware that some banks require remittances to be processed through a specific bank account, and in the case of bank interest wholly due to the firm being paid into the client bank account, this can result in firms breaching the CASS segregation requirements. The breach occurs even though firms cannot control the circumstances which lead to it, namely, the third-party bank's processes. We would expect that, where possible, firms should arrange for receipts that do not constitute client money to be paid into a firm account. However, where it is not possible to do so, we consider that these

payments do not pose a material risk to the segregation of client money as long as they are identifiable and are removed from the client account promptly. Breaches related to these specific circumstances create unnecessary administrative burdens for firms, auditors and the FCA.

4.30 We propose that where a firm expects to receive bank interest into a client bank account, and that interest belongs entirely to the firm, the firm must request in writing that the relevant central bank, credit institution or third-country bank pays the interest into a separate account held by the firm with that institution, rather than into a client bank account. If, despite this request, the third-party institution continues to pay firm-owned interest into a client bank account, the firm may accept this arrangement. In other words, receiving wholly firm-owned interest into a client bank account is permitted only where the firm has no alternative due to constraints imposed by the third party, and the firm must have sought to change this practice where possible. In this case, the firm must remove the interest promptly, and no later than 1 business day after receipt, from the client bank account.

4.31 Firms relying on this evidential provision must ensure they promptly address the risk arising from the failure to maintain segregation. They must also comply with the pre-requisite requirements in CASS 7.11.32R, which allow a firm to retain interest earned on client money only if they have notified the client in advance, and complied with the requirements of the Duty where applicable.

Question 8: **Do you agree with our proposal to permit receipt of firm-owned interest into client bank accounts (when not as part of a mixed remittance) in limited circumstances and subject to conditions? If not, please explain why, including alternative approaches.**

Bank interest received before it is due and payable to the client

4.32 As part of its contractual agreement with clients, a firm will have agreed a date on which bank interest is owed to the client. In some cases, third-party banks remit such interest into client bank accounts before it is contractually due and payable to the client. Although it will be due to the client in future, at the point of receipt, this money is not technically client money under the current rules, which creates uncertainty about how it should be treated. This uncertainty arises where the interest:

- is wholly owed to the client but is not yet contractually payable; or
- will be split between the firm and the client, but the exact portions attributable to each party cannot yet be determined, because they are pro-rated based on the contractual payment date.

4.33 Firms may have multiple third-party banks holding client money, which all pay interest at different times. Therefore, amending client contracts is not necessarily a viable solution to address the misalignment in timings between the receipt of interest into client bank accounts and the date on which it becomes due and payable to the clients.

- 4.34** To avoid breaching CASS segregation requirements, in the past some firms have removed the interest from the client bank account and later returned it once it becomes contractually due and payable. However, this introduces a risk that if the firm were to fail before the interest was returned to the client bank account, that money would form part of the firm's estate. This could create a shortfall in the client bank account, and the clients may not receive the interest when it is due to them.
- 4.35** Other firms have decided that it is in the best interests of their clients to hold the money in the client bank account until it is due and payable to the client. However, money that is not due and payable is not client money under CASS. With no clear mechanism for segregating interest received before it is due and payable, firms have been handling this in different ways, resulting in inconsistency and breaching CASS rules, despite aiming to act in clients' best interests.
- 4.36** We propose introducing a new rule that will permit a firm to choose to treat interest receipts as 'unallocated client money' from the point of receipt, where the firm is aware that all or part of the interest receipt will become due and payable to the client at a future date. A firm must make a record when it chooses to apply this treatment and, if it stops doing so, must retain the record for 5 years from the date it ceased using this option.
- 4.37** When a firm using this option is entitled to a portion of the bank interest, and it is certain of the amount to which it is entitled, then the firm must remove its portion promptly and no later than 1 business day following the transaction. If the firm is uncertain of the amount to which it is entitled, it must remove its money within 1 business day of being able to ascertain this.
- 4.38** Being able to choose how to treat interest received into a client account before it is due and payable would allow firms to act in their clients' best interests without breaching CASS requirements. This option offers more flexibility on how to appropriately segregate money that firms will eventually owe to clients.
- 4.39** These scenarios can sometimes overlap. For ease of reference, we have set out the key scenarios in Table 1 below.

Table 1: Clarification of how to treat interest earned on client bank accounts under different scenarios

| Scenario* | CASS rule(s) | Summary of key requirements and guidance |
|---|----------------------|--|
| Client-owned interest received before due to client <ul style="list-style-type: none"> Bank interest received into client bank account before it is contractually due and payable. It will become 100% due to the client on the payout date. | 7.10.2AR 7.13.36R | <ul style="list-style-type: none"> Firm may elect to treat interest as client money from receipt. If it does so, pending allocation of the client money to an individual client, it should record this as 'unallocated client money' in its books and records. Firm must retain record of election for 5 years after ceasing to use it. |

| Scenario* | CASS rule(s) | Summary of key requirements and guidance |
|---|---------------------------------------|--|
| Split interest received before client's share due to them – known firm share <ul style="list-style-type: none"> Bank interest received into client bank account before it is contractually due and payable. It will be split between the client and the firm. The firm is certain of what amount is due to the firm. | 7.10.2AR 7.13.36R | <ul style="list-style-type: none"> Firm may elect to treat the interest which will be due to clients as client money from receipt. If it does so, pending allocation of the client money to an individual client, it should record this as 'unallocated client money' in its books and records. Firm must retain election record for 5 years. Firm must remove its portion from client bank account within 1 business day of receipt. |
| Split interest received before client's share due to them – unknown firm share <ul style="list-style-type: none"> Bank interest received into client bank account before it is contractually due and payable. It will be split between the client and the firm. The firm is uncertain about what proportion of the interest is due to the client versus the firm. | 7.10.2AR 7.13.36R | <ul style="list-style-type: none"> Firm may elect to treat the entire amount as client money from receipt. If it does so, pending allocation of the client money to an individual client or the firm, it should record this as 'unallocated client money' in its books and records. Firm must retain election record for 5 years. Firm must remove its portion within 1 business day of being able to identify its share. |
| Firm-owned interest only <ul style="list-style-type: none"> Bank interest received into the client bank account which is 100% owed to firm. It is not a mixed remittance. | 7.13.19AZR 7.13.19CG | <ul style="list-style-type: none"> Rule applies only if third-party bank requires all transactions to be processed through a single account. Firm must request in writing that the bank pays firm-owned interest into a separate firm account. Firm may receive such interest into a client account if it has complied with CASS 7.11.32R, CASS 7.11.33G, and for retail clients, the Consumer Duty. Firm must remove firm-owned interest from client bank account within 1 business day of receipt. |
| Mixed remittance <ul style="list-style-type: none"> Bank interest is received into the client bank account as a mixed remittance. The firm is able to determine what proportion of the money is firm money. | 7.13.31R (existing rule unchanged) | <ul style="list-style-type: none"> Firm must remove its share from client account promptly and no later than 1 business day after the payment of the mixed remittance. |

* Table assumes firms are using the normal approach to the segregation of client money.

Question 9: Do you agree with our proposal to allow firms to elect to treat bank interest received into a client bank account as 'unallocated client money' from the point of receipt, where the firm has agreed that some or all of the interest will become due and payable to the client at a future date? If not, please explain your concerns.

Chapter 5

Simplifying insurance and funeral plan rules

- 5.1** Alongside this CP, we are publishing [PS25/21](#); our final rules to simplify regulatory requirements for the manufacturing and distribution of non-investment insurance. In this chapter we outline proposals to simplify further aspects of the regulatory framework for non-investment insurance business and funeral plans. They build on feedback received on the further proposals in our May 2025 CP ([CP25/12](#)), and reflect our commitment to consider these issues in our March 2025 Feedback Statement on our Consumer Duty Requirements Review. We have also outlined the next steps for the insurance sector on our [landing page](#), which highlights key milestones on our roadmap for future developments, including our policy statement and consultation paper.
- 5.2** The proposals in this chapter represent those we believe we can proceed with at pace. We are grateful for the responses we already received to them in [CP25/12](#) but welcome further responses to the proposals we are consulting on here.

Summary of proposals

- 5.3** We are proposing to remove the:
- Payment protection insurance (PPI) specific eligibility and disclosure rules;
 - Packaged bank account (PBA) specific eligibility rules and annual statement requirements;
 - 12-month minimum frequency for reviewing funeral plan products;
 - Additional expectations for manufacturers and distributors in relation to value measures data; and
 - Pricing record retention rule.

Payment protection insurance and packaged bank accounts

- 5.4** In 2008, we introduced rules for payment protection contracts to address the widespread mis-selling of payment protection insurance (PPI). These rules, set out in our insurance conduct of business sourcebook (ICOBS), require firms to assess whether customers qualify to make a claim under PPI policies (ICOBS 5.1.2R and ICOBS 5.1.3G) and remind customers to read their documents carefully (ICOBS 6.4.5R).
- 5.5** In 2012, we introduced rules (ICOBS 5.1.3A-C R) for packaged bank accounts (PBAs) when the market for these accounts was growing due to banks actively promoting them to many customers. The rules require firms offering PBAs to check customers' eligibility for each insurance benefit, maintain a record of the assessment for three years and provide customers with an annual written eligibility statement.

- 5.6** Since then, the market has changed significantly for both products. PPI is now rarely sold. This shift is largely due to our regulatory intervention following widespread mis-selling and consumer harm, including redress schemes, regulatory reforms and increased consumer awareness. PBAs remain available and can offer good value. However, consumers have greater access to similar alternative ways to obtain products such as travel insurance, which often form the core of PBAs. Banks have also reduced their promotion of PBAs, with some exiting the market altogether. We have seen a significant decline in the number of customers with PBAs.
- 5.7** Our rules mean firms must ensure that all insurance contracts meet customers' demands and needs. The introduction of the Consumer Duty raises standards by requiring firms to deliver good outcomes for consumers across financial services. These developments create an opportunity to remove detailed, prescriptive requirements that address similar issues, where the same outcomes can be achieved with greater flexibility.
- 5.8** In CP25/12 we put forwards the idea of removing these product specific rules and sought feedback on this. The majority of respondents supported these changes. No respondents disagreed with removing the PPI rules. A small number of respondents remained concerned about PBAs. They pointed out that complaints about insurance as part of PBAs remain high. They added there are particular risks for customers purchasing travel insurance for which they are ineligible (for example, due to cover being age-restricted).
- 5.9** We welcome the broad support for the idea of removing the rules on PPI and PBAs. While we recognise that some issues may remain in the PBA market, we do not consider this sufficient justification for maintaining specific requirements beyond those for other insurance products. The Duty is important in this context as it has raised the standards required for all retail insurance products.
- 5.10** We agree with respondents that there is a specific risk with travel insurance arranged as part of the PBA. Making sure customers are eligible to claim benefits from their insurance is a key part of delivering good outcomes under the Duty.
- 5.11** We are now proposing to make the following changes for PPI:
- Remove PPI-specific rules on customer eligibility (ICOBS 5.1.2R and ICOBS 5.1.3G), as these requirements are now addressed by ICOBS 5.1.1G and the Consumer Duty;
 - Remove the rule requiring firms to draw customers' attention to the importance of reading documentation (ICOBS 6.4.5R), as this is now addressed through the Duty's Consumer Understanding outcome, which requires firms to ensure communications are clear, fair and enable informed decision making; and
 - Clarify existing non-product specific guidance in ICOBS 5.1.1G to confirm that firms must take reasonable steps to ensure customers only purchase policies under which they are eligible to claim benefits.
- 5.12** We are also proposing to remove PBA-specific eligibility rules so that the general eligibility requirements, which apply to all general insurance and pure protection contracts, will also apply to PBAs. In addition, we propose to delete the PBA-specific

suitability of advice provisions (ICOBS 5.3.2AR and ICOBS 5.3.2BR), as the Consumer Duty and general ICOBS rules provide sufficient protection to ensure advice meets customers' demands and needs.

- 5.13** We consider that the general eligibility rules applying to non-investment insurance contracts, alongside the Duty, are sufficient to protect customers with PPI and PBAs. We are also proposing to introduce non-product specific guidance within ICOBS 5.1.1G to clarify that firms must take reasonable steps to ensure customers only purchase insurance policies under which they are eligible to claim benefits. This approach will require firms to assess customer eligibility throughout the lifecycle of the contract – not just at the start – and to inform customers of any changes that could affect their ability to claim. These changes, underpinned by the Duty, are intended to prevent consumers from buying unsuitable cover, support transparency, and maintain high standards of consumer protection across the market.

Question 10: Do you agree with the proposal to remove PPI-specific rules on eligibility and disclosure? Please explain your response.

Question 11: Do you agree with removing PBA-specific eligibility rules given the introduction of the Consumer Duty? Please explain your response.

Question 12: Do you agree with our proposal to delete the PBA-specific suitability of advice rules (ICOBS 5.3.2AR and ICOBS 5.3.2BR) given Principle 9, ICOBS rules on customer's demands and needs, together with the Consumer Duty, ensure suitability of advice?

Question 13: Do you agree with our proposal to introduce non-product specific guidance on eligibility under the general insurance rules? Please explain your response.

Additional expectations for manufacturers and distributors in relation to value measures data

- 5.14** In 2021, we introduced our value measures rules, PROD 4.5, requiring firms to actively assess whether their products offered fair value to customers. Since then, we have introduced additional rules in PROD 4.2 and 4.3 (as part of our General Insurance Pricing Practices work) extending the fair value requirement to all general insurance and pure protection products, with guidance on how value should be assessed – including relevant factors, data, and product reviews.
- 5.15** We are considering removing the additional expectations (contained in PROD 4.5) for manufacturers and distributors in relation to value measures data. This is based on our assessment that the requirements in PROD 4.5 largely duplicate the subsequent, and more extensive, requirements in other PROD chapters. While PROD 4.5 focuses

primarily on value, PROD 4.2 provides a broader framework that incorporates value considerations throughout the product lifecycle, including product approval, testing, review and distribution.

- 5.16** We propose to delete PROD 4.5 not just to simplify the rules, but because its requirements are now fully addressed elsewhere in our rules – particularly through the broader and more detailed provisions in PROD 4.2 and 4.3. This ensures that adequate consumer protection with a focus on value is maintained, while avoiding duplication.
- 5.17** As an exception to the approach in 1.16, we are moving the requirement for distributors to consider value measures information in PROD 4.5.7R(1) to ICOBS 5.2, which covers demand and needs. Introducing ICOBS provisions helps to focus expectations on whether firms should continue to sell particular products taking value measures into account (as opposed to whether the product offers fair value).

**Question 14: Do you agree with removing the entirety of PROD 4.5?
Please explain your response.**

Product governance requirements for funeral plans

- 5.18** We began regulating the funeral plans market in 2022. Both the change in regulation, and the Covid pandemic, had significant impacts on the funeral plan industry and at that time we considered that prescriptive review requirements were necessary to address customer harm. Since then, the market has evolved and broader regulatory developments – including the introduction of the Duty – have raised expectations around product oversight and consumer outcomes. In CP25/12 we sought views on whether to remove the specific 12-month minimum from the requirement for firms to review products periodically, given the broader framework. Doing so would mirror changes we are introducing to the requirements for non-investment insurance products that we consulted on in [CP25/12](#) and have now been finalised in [PS25/21](#).
- 5.19** Most respondents who responded to this question supported a removal of the 12-month product review requirement. They felt that this change would offer greater flexibility and emphasised that a risk-based approach is more proportionate, given that funeral plans are long-term products with claims often arising many years after purchase. Respondents also highlighted that the requirement for firms to prepare a report for their governing body (PRIN 2A.8.3R), detailing monitoring results and any necessary actions, provides an additional layer of oversight and helps mitigate potential risks associated with removing the rule.
- 5.20** However, a minority of respondents opposed the removal. They argued that the funeral plans market is not yet sufficiently mature or conduct-focused to determine its own review periods. Concerns were also raised about the higher likelihood of vulnerable customers in this market and the ongoing need to build public trust in funeral plan products.

- 5.21** We also asked respondents to estimate the potential financial impact if the minimum product review requirement was changed. A small number of respondents indicated that the change would not result in any material savings. The remaining respondents suggested that removing the rule would enable more efficient use of resources. While they anticipated some cost reductions, these were expected to be minimal, as the change would not significantly alter existing business practices.
- 5.22** We have carefully considered this feedback and are proposing to remove the minimum 12-month product review requirement for funeral plans. We believe this will give firms greater flexibility while maintaining appropriate safeguards for consumers, including those who may be vulnerable.
- 5.23** Firms will still be expected to determine and document a suitable review frequency.

Question 15: Do you agree with removing the minimum 12-month product review requirement for funeral plan manufacturers? Please explain your response.

Retention of records for pricing practices

- 5.24** We are proposing to delete ICOBS 6B.2.57 R which requires firms to share pricing records with the senior manager responsible for reporting to the FCA. These records relate to compliance with pricing rules, including renewal pricing practices and fair value assessments. This rule was originally introduced, in 2022, to support the General Insurance Pricing Attestation (REP022), which required senior managers to confirm compliance with pricing requirements.
- 5.25** On 1 August 2025, we decommissioned REP022 as it was no longer considered an essential or proportionate way to monitor firms' compliance. The attestation requirement created additional administrative burden without adding significant regulatory benefit. As ICOBS 6B.2.657 R is directly tied to the attestation process, it has become redundant and ineffective, following removal of ICOBS 6B.2.60 R.
- 5.26** Removing this rule ensures consistency within the Handbook and reduces regulatory obligations for firms. Senior managers remain accountable for compliance under the Senior Managers and Certification Regime (SMCR), and firms must still maintain appropriate governance and controls over pricing practices.

Question 16: Do you agree with our proposed removal of the record retention rule? Please explain your response.

Chapter 6

Smaller Firm Guide Discussion

- 6.1** In FS25/2, we committed to piloting an approach for guides to support smaller firms in applying outcomes-based regulation. This pilot will inform our longer-term approach to supporting smaller firms and help us consider whether to roll out smaller firm guides more widely. In this chapter, we invite feedback to our proposed approach.

Considering the feedback received to date

- 6.2** We have engaged widely with smaller firms from across our regulated sectors as part of the Consumer Duty Requirements Review. This includes through events with smaller firm trade bodies, such as our 2025 Regulatory Summit, our [2024 Call for Input](#), and direct engagement with the FCA's Smaller Business Practitioner Panel (SBPP).
- 6.3** Feedback from these engagements raise common themes on how smaller firms engage and interpret FCA conduct requirements. The two key issues we heard are:
- **How firms navigate requirements:** Smaller firms have told us they struggle to navigate our Handbook and non-Handbook materials to identify which requirements are relevant to them.
 - **How firms apply requirements:** Smaller firms have told us that they would like to see our requirements explained in plainer language, and more examples of how some can be implemented in a proportionate way for their businesses. Feedback has suggested that this problem is particularly acute for our less detailed rules.
- 6.4** These problems have left many smaller firms feeling that they are incurring unnecessary costs by seeking advice from external experts. We have also heard a common message that many smaller firms feel they spend too much time on compliance activities and away from other aspects of their business.

Existing support for smaller firms

- 6.5** There is already a range of support available to firms to help navigate and interpret our requirements from both the FCA and other stakeholders, such as trade bodies and compliance consultancies. We have summarised relevant FCA initiatives below.

Support available to help navigate our rules

- 6.6** In September 2025, we launched our new Handbook website to help firms navigate our rules. This was to align with our 5-year strategy to support growth and be a smarter regulator. The new Handbook is designed to make it easier for firms to navigate and find the information they need, understand the connections between our rules, and compare different versions of the Handbook to see what's changed. We continue to enhance its navigability to ensure firms can more easily locate relevant information.

- 6.7** We are also introducing published market reports, which will replace sector-level portfolio letters with a single, market-level publication. This change responds directly to firms' requests for a 'one stop shop' approach to understanding our priorities. This will meaningfully reduce the volume of non-Handbook materials firms need to consider as part of their compliance activities.
- 6.8** Moreover, we have retired over 90 historic supervisory publications and over 100 multi-firm and thematic reports. This also reduces the amount of material firms need to consider as part of their compliance.

Support available to help apply our rules

- 6.9** We have a range of support available to help firms better understand and apply our rules in practice. For example, we regularly conduct sector focused, national outreach events, offering firms the opportunity to engage directly with supervisors, ask questions, and troubleshoot common issues. These events aim to foster clearer understanding and more effective compliance. We have published a suite of Good and Poor practice on key issues, such as the Consumer Duty, as well as redress liabilities.
- 6.10** Our Supervision Hub delivers tailored support to regulated firms, offering information through a range of accessible formats—including text, translation, large print and spoken communication. We have created a series of 'how to' videos to help firms to navigate our systems and processes, with a particular focus on helping smaller firms for whom financial services is not their main business. We are in the process of developing further videos to help firms wanting to submit FCA forms and regulatory returns and are also exploring how we can enhance our support for individuals with additional needs.
- 6.11** More widely, the FCA supports firms with application guidance at the authorisation gateway.

Opportunities for further support

- 6.12** Despite these initiatives, we recognise that there are calls for further support. Our new Handbook and published market reports will help firms navigate our requirements and supervisory expectations, but smaller firms could benefit further from more dedicated resources. For example, greater support in viewing all the conduct requirements (Handbook and non-Handbook) for their business type in one easily accessible place, alongside information on relevant process requirements such as regulatory reporting.
- 6.13** Although our events are positively received by firms, they are often focused on particular topics, and not all firms have the opportunity to attend. Therefore, many firms would benefit from more widely accessible resources on how they can implement our expectations in practice. Similarly, we have received positive feedback from firms on published examples of good and poor practice. However, firms often tell us they would like more of these resources tailored to their business model.

Our proposals

- 6.14** Having considered the feedback from firms and our existing support offering, we have shortlisted a few options for how we could better support smaller firms in tackling the issues they have raised with us. These include:
- **Issue-specific guides** – these would include non-Handbook guidance on key topics. In practice, these could look similar to existing FCA guidance on issues like finance crime or SMCR.
 - **Directory-style guides** – these documents would be short documents to signpost firms to relevant parts of the Handbook for their business, as well as our non-Handbook materials.
 - **Enhanced use of good and poor practice documents** – similar to our published examples of good and poor practice on the Duty
- 6.15** Based on our engagement to date, our working proposal is to develop a sector-specific directory-style guide with examples of good and poor practice (combining options B and C). This would seek to signpost firms to all the relevant parts of our Handbook and non-Handbook materials, as well as providing more practical advice on how to interact with us as a regulator (e.g. advice on submitting regulatory returns).
- 6.16** We judge issue-specific guidance (option A) would not address the issues that smaller firms have raised with us for several reasons: (i) because such a document would inevitably be long and therefore unlikely to help firms with interpreting our requirements (ii) it would only provide a partial view of our conduct expectations on a particular topic rather than the holistic view we believe many smaller firms are seeking. Moreover, we already publish comprehensive guidance on key topics, including the Consumer Duty.
- 6.17** We have tested these proposals informally with stakeholders, who have indicated support for our proposed approach. We would like to invite further views from stakeholders on these proposals before rolling out our pilot in 2026.
- 6.18** We believe this approach will also complement the work we are trialling through our new market reports. The market reports will provide firms clarity on our key priorities, while our small firm guides will set out all relevant materials firms need to consider to understand our conduct expectations. We will look to integrate the two publications as much as possible as we roll these publications out in 2026.

Piloting an approach

- 6.19** If we proceed to pilot a directory-style guide with examples of good and poor practice, we will also need to determine an appropriate area to run this pilot. We have considered a range of sectors with a higher proportion of smaller firms and where feedback has indicated strongest appetite for such a guide.

6.20 We therefore propose to pilot a guide in the consumer finance sector given the sector's high proportion of smaller firms. For example, out of the approx. **15,000** firms in the credit brokers portfolio, it is estimated that fewer than **4%** of these would be viewed as large firms. We believe this guide might be particularly beneficial for those firms with limited regulatory interaction, for instance, those 'secondary' credit brokers for whom financial services are not their primary business model and who are less likely to receive support to interpret our requirements via a financial services trade association.

6.21 We welcome feedback on whether it would be appropriate to pilot a smaller firm guide in the consumer finance sector, with an initial focus on credit brokers. We would also welcome feedback on other business types who might benefit from such a guide.

Question 17: What resources do you currently use to understand our regulatory expectations?

Question 18: Do you agree with our proposal to pilot a directory-style guide with case studies in the consumer finance sector, with an initial focus on credit brokers? Which other business models would benefit from their own smaller firm guide?

Question 19: Are there particular areas of our requirements we should focus on in a pilot guide (i) for consumer finance firms (ii) for other business types?

Chapter 7

Updating and removing references to Principles 6 and 7 and Treating Customers Fairly

- 7.1** The Duty set a new and high standard of conduct for firms serving retail customers. Before the Duty applied, several of our expectations about relevant standards were covered to some extent in the FCA's Principles for Business under Principle 6, which states that a firm must pay due regard to the interests of its customers and treat them fairly, and Principle 7, which states that a firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading. To avoid overlapping standards applying to firms, we made PRIN 3.2.10R which provides that Principles 6 and 7 do not apply to a firm's activities to the extent that Principle 12 and PRIN 2A apply.
- 7.2** However, there remain references in our Handbook to the previous standards. We understood from feedback from stakeholders that these outdated references are causing confusion. We have heard that stakeholders would like us to be clearer about how the Duty applies. We are therefore updating references to Principles 6 and 7 to reflect the scope of their application following the introduction of the Consumer Duty and improve the clarity of our rules and expectations.
- 7.3** The changes proposed in this chapter are designed to support our stated aim in the Consumer Duty Requirements Review to improve the efficiency of our requirements by reducing the time, cost and complexity involved in meeting our expectations while ensuring good customer outcomes.

References in non-Handbook publications

- 7.4** Linked to Principle 6, the Financial Services Authority (FSA) published expectations under the heading of Treating Customers Fairly (TCF) and references and publications from this initiative remain on the FCA website. These publications were designed to explain the TCF outcomes and how firms could go about achieving them. Examples of such publications include:
- Treating customers fairly – towards fair outcomes for consumers (2006), which set out the outcomes the FSA was looking to achieve through its TCF initiative, and areas where further work was required from firms on implementing TCF.
 - Treating customers fairly – guide to management information (2007), which helped firms develop management information to demonstrate that they are treating their customers fairly.
 - Treating customers fairly – culture (2007), which set out the FSA's expectations and frameworks for assessing culture.

- Our website's [Fair treatment of customers page](#), which includes the outcomes set out under the TCF initiatives, comments on Principle 6, and several other points on firms' treatment of customers.

7.5 We had queries from some firms about the ongoing status of these publications in response to our Call for Input.

Proposals for updating Handbook references to principles 6 and 7

7.6 We are consulting on updating references to Principle 6 and 7 throughout the Handbook. Our proposed updates fall into the following categories:

- Updates to references to reflect the new standards expected under the Consumer Duty which may be higher than those under Principles 6 and 7.
- Updates to references to clarify the scope of Principles 6 and 7 which still apply where the Consumer Duty does not.
- Replace the references to Principles 6 and 7 with a reference to the Consumer Duty. These references apply solely to retail markets and accurately convey rules and expectations under the Consumer Duty.
- Remove references to Principles 6 and 7 without replacement where appropriate. This includes a proposal to retire the guidance provision at DISP App 3.4.3G which relates to handling of payment protection insurance complaints. This provision states that firms, as part of root cause analysis, must consider if they need to carry out a proactive redress exercise for customers who have been potentially impacted by a recurring or systemic problem, in accordance with Principle 6. We propose to retire it, rather than update it, due to the increasingly low numbers of complaints to which this applies. Firms still handling complaints to which DISP App 3 applies are still subject to equivalent requirements and guidance in DISP 1.3.3R and DISP 1.3.6G as well as the Consumer Duty, where applicable.

7.7 We note that there are provisions that refer to Principle 6 and Principle 7 in the Handbook which have not been included in this Instrument. These provisions have not been included as they are subject to ongoing or future Policy work. This Policy work will consider if changes to reflect the application of the Consumer Duty to these Handbook provisions are necessary.

7.8 We will also amend several references in our Handbook that do not directly mention Principle 6 but are related and use the language of 'treating customers fairly'.

Proposals for updating non-Handbook references to principles 6 and 7

7.9 We want firms to have a clear understanding of what we expect from them under the Duty. Firms should be clear that expectations set out in TCF publications, including those listed above, no longer apply in retail markets and need not be considered, and we are proposing to remove these materials from our website.

- 7.10** Any other materials related to the FSA's TCF initiative not listed here, including guidance and supervisory statements previously published by the FCA and FSA, are also retired and no longer need to be taken into account in retail markets.

Question 20: Are there any issues or topics covered in these Treating Customers Fairly materials that you believe aren't currently covered by publications related to the Consumer Duty and that we should consider through our future policy programme?

- 7.11** We also propose retiring our guide on the Responsibilities of Providers and Distributors for the Fair Treatment of Customers (RPPD). This document was introduced in 2007 and was designed to help firms apply the Principles for Businesses in the context of product design and distribution. Subsequent regulatory developments, including our expectations on product governance and on the Duty, have since set rules and expectations in this area. The RPPD is no longer directly applicable and does not reflect current rules governing product governance. Several respondents to our Call for Input raised RPPD stating that it was outdated or should be retired.

Question 21: Do you have any views on our proposal to retire RPPD and are there any elements which could be usefully incorporated into guidance on current product governance provisions?

- 7.12** There are a limited set of materials made by the FCA under Principle 6 which will not be retired by this consultation, such as FG21/1: Guidance for firms on the fair treatment of vulnerable customers. This limited set of materials will continue to be relevant unless we have stated they are not. As noted in FG22/5, the Duty imposes a higher and more exacting standard of conduct than Principles 6 and 7. Therefore, while some materials referencing Principles 6 and 7 will remain relevant to firms in considering their obligations under the Consumer Duty, firms should take account of the inherent limits of such guidance as they do not cover our expectations under the Duty in full.
- 7.13** We are considering whether it would be beneficial to update FG21/1 as a result of these changes and the feedback from the Call for Input, and will provide more details in H1 2026. Any updates would aim to consolidate our expectations on the treatment of customers in vulnerable circumstances under the Consumer Duty and FG21/1, not to create new expectations that do not already exist under the Duty.
- 7.14** We are proposing to add a Glossary definition to the Handbook of 'Consumer Duty' meaning 'the obligations in Principle 12 and PRIN 2A'.

Question 22: Do you agree that this approach will provide more clarity on our rules and expectations and the scope of application of Principles 6, 7 and the Consumer Duty?

Annex 1

Questions in this paper

- Question 1:** Do you agree with our proposal to delete the section of the concentration rule that covers UK UCITS investment in CIS: COLL 5.2.29R(3) and COLL 5.2.29R(6)? If not, please specify why not.
- Question 2:** Do you agree with our proposal to amend the due diligence record-keeping requirements so that firms must retain records for 5 years from the date they are created and/or modified, rather than 5 years after the relationship ends? If not, please explain why and any other options we should consider.
- Question 3:** Do you agree with our proposals relating to the use of EUI's IFS System Record for external custody reconciliations – including the proposed conditions to ensure accuracy and reliability, and the guidance that daily reconciliations would represent best practice? If not, please explain your views and suggest any changes we should consider.
- Question 4:** Do you agree with our proposal to amend the rules to permit a firm to conduct the external custody reconciliation less frequently for client assets where it can demonstrate it is unable to obtain third party statements on at least a monthly basis? If not, please explain why.
- Question 5:** Do you agree with our proposal to amend CASS 7.11.32R to clarify that firms must comply with the Duty when retaining interest earned on retail client money? If not, please explain why, including alternative approaches.
- Question 6:** Do you agree with our proposal to amend CASS 6.4 to clarify that firms must comply with the Duty when gaining consent for and using retail clients' safe custody assets for SFTs? If not, please explain why, including alternative approaches.
- Question 7:** Do you agree that the changes to CASS 6.4 and 7.11 should be excluded from the scope of the CASS audit? If not, please explain why.

- Question 8:** Do you agree with our proposal to permit receipt of firm-owed interest into client bank accounts (when not as part of a mixed remittance) in limited circumstances and subject to conditions? If not, please explain why, including alternative approaches.
- Question 9:** Do you agree with our proposal to allow firms to elect to treat bank interest received into a client bank account as 'unallocated client money' from the point of receipt, where the firm has agreed that some or all of the interest will become due and payable to the client at a future date? If not, please explain your concerns.
- Question 10:** Do you agree with the proposal to remove PPI-specific rules on eligibility and disclosure? Please explain your response.
- Question 11:** Do you agree with removing PBA-specific eligibility rules given the introduction of the Consumer Duty? Please explain your response.
- Question 12:** Do you agree with our proposal to delete the PBA-specific suitability of advice rules (ICOBS 5.3.2AR and ICOBS 5.3.2BR) given Principle 9, ICOBS rules on customer's demands and needs, together with the Consumer Duty, ensure suitability of advice?
- Question 13:** Do you agree with our proposal to introduce non-product specific guidance on eligibility under the general insurance rules? Please explain your response.
- Question 14:** Do you agree with removing the entirety of PROD 4.5? Please explain your response.
- Question 15:** Do you agree with removing the minimum 12-month product review requirement for funeral plan manufacturers? Please explain your response.
- Question 16:** Do you agree with our proposed removal of the record retention rule? Please explain your response.
- Question 17:** What resources do you currently use to understand our regulatory expectations?
- Question 18:** Do you agree with our proposal to pilot a directory-style guide with case studies in the consumer finance sector, with an initial focus on credit brokers? Which other business models would benefit from their own smaller firm guide?

- Question 19:** Are there particular areas of our requirements we should focus on in a pilot guide (i) for consumer finance firms (ii) for other business types?
- Question 20:** Are there any issues or topics covered in these Treating Customers Fairly materials that you believe aren't currently covered by publications related to the Consumer Duty and that we should consider through our future policy programme?
- Question 21:** Do you have any views on our proposal to retire RPPD and are there any elements which could be usefully incorporated into guidance on current product governance provisions?
- Question 22:** Do you agree that this approach will provide more clarity on our rules and expectations and the scope of application of Principles 6, 7 and the Consumer Duty?

Annex 2

Cost benefit analysis

Executive summary

1. Following our 2024 Call for Input, we have identified certain areas of our Handbook that are unnecessarily complex or outdated. This leads to firms spending unnecessary time and resources complying with rules (we define rules as specific and prescriptive requirements set out in our Handbook) or principles (we define principles as FCA principles for business and differ to 'rules' in that they are generally less prescriptive and have greater scope) that do not provide benefits to consumers.
2. These rules span many sectors and will impact our entire regulated population of over 36,000 firms serving 52 million consumers and providing a wide range of products and services.
3. This annex sets out our assessment of the costs and benefits associated with the following set of proposals:
 - **Technical changes to the Collective Investment Schemes Sourcebook (COLL):** *Proposals to streamline and simplify investment powers rules in Chapter 5 of COLL, and to add additional clarification regarding a rule on UK UCITS' investment powers in COLL.*
 - **Changes to Chapters 6 and 7 of the Client Assets Sourcebook (CASS):** *We are proposing to amend record-keeping requirements for certain due diligence relationships, and to update rules on the frequency of and sources used for external custody reconciliations. We also propose to clarify the rules on the treatment of bank interest earned on client money, and on how the Duty applies to certain CASS rules.*
 - **Further simplifying insurance rules:** *We are proposing to delete some product-specific rules and change aspects of the product governance rules for funeral plans.*
 - **Clarifying references to Principles 6 and 7:** *Proposals to amend references to Principles 6 and 7, now we have the Consumer Duty (the Duty). We also consider references to 'treating customers fairly' which is rooted in Principle 6, the treatment of related non-Handbook materials still accessible on our website.*
4. In general, we anticipate that the proposals will benefit firms by reducing compliance costs, and as such, we do not anticipate an increase in firms' costs beyond those of familiarising themselves with our proposals, which we estimate will amount to £15.2m across the appraisal period. We do not expect the changes to directly impact consumers.
5. Taking these expected benefits and costs together, and weighing up the evidence we have, we believe the proposals will be net beneficial. We estimate that the proposals will breakeven (i.e. the point at which benefits match total costs) if each regulated firm saves 6.5 hours over the 10-year appraisal period. We believe this is achievable. We anticipate

that firms will save a minimum of 6.5 hours in compliance activities through the proposed removal of several outdated rules, each expected to result in time saved. For example, amending CASS requirements will decrease the time required spent on certain administrative tasks, and removing redundant insurance monitoring requirements will avoid overlap with standards established by the Consumer Duty. Beyond this, as we are proposing to remove outdated or duplicated rules, we do not expect the proposals to alter the standards we have set for firms. The Consumer Duty sets the standard of care that firms should provide to customers in retail financial markets and as a result we are not anticipating unintended consequences.

Introduction

6. In July 2024 the FCA published a Call for Input to better understand and identify areas of the Handbook that cover similar issues to the Consumer Duty and could therefore be refined or removed. This included identifying areas of complexity, duplication, confusion, or over-prescription, which ultimately create regulatory costs with limited or no consumer benefit. Our proposals aim to address these areas across several sectors.
7. The Financial Services and Markets Act (2000) require us to publish a cost benefit analysis (CBA) of our proposed rules. Specifically, section 138I requires us to publish a CBA of proposed rules, defined as 'an analysis of the costs, together with an analysis of the benefits that will arise if the proposed rules are made'.
8. This analysis presents estimates of the impacts of our proposals. We provide monetary values for the impacts where we believe it is reasonably practicable to do so. For others, we provide a qualitative explanation of their impacts. Our proposals are based on weighing up all the impacts we expect and reaching a judgement about the appropriate level of regulatory intervention.
9. The CBA has the following structure:
 - The market
 - Problem and rationale for intervention
 - Options assessment
 - Our proposed intervention
 - Baseline and key assumptions
 - Summary of impacts
 - Benefits
 - Costs
 - Wider economic impacts
 - Monitoring and evaluation

The market

10. The proposed changes encompass amendments to Principle 6 and Principle 7 references, which have broad implications across UK financial markets, as well as amendments that apply to specific product markets. We are consulting on amendments

affecting providers of Packaged Bank Accounts (PBA), funeral plans, and Payment Protection Insurance (PPI). The proposed revisions to CASS will impact UK designated investment businesses that have permissions to hold client money or assets, while the suggested changes to COLL 5 will have consequences for UK UCITS operators.

11. Below we first describe the overall financial services market, which is most relevant to amendments to Principle 6 and Principle 7, before moving to the specific product markets impacted. Following this, we present a series of descriptive statistics covering the estimated number of firms impacted by each of the proposals, the number of customers and the size of the markets. Finally, table 1 summarises the key statistics.

The overall Financial Services Market

12. Principle 6 and Principle 7 apply broadly across UK financial services markets regulated by the FCA. These principles cover a significant number of products offered to consumers, including banking, credit, insurance, and investments. Therefore, they cover many of the interactions that consumers will have with financial services. Financial services in the UK range from retail banking to general insurance and, when combined, represent one of the largest sectors of the UK economy, employing 1.2 million people and contributing £208 billion in 2023 – 8.8% of total UK economic output.

Description of the product markets impacted by the proposed simplification of insurance rules

13. **Packaged Bank Accounts:** A PBA is a current account that comes with at least one insurance policy (such as travel and mobile phone insurance). It may also include a range of other non-insurance goods or services (such as airport lounge access). PBA providers charge a monthly fee in exchange for these additional benefits and can prove a cost-effective option for consumers who would otherwise purchase several of the insurance policies.
14. **Funeral plan insurance (often called a pre-paid funeral plan):** Is a contract where a customer makes one or more payments to a provider, who then arranges or pays for the funeral upon the customer's death. The provider typically secures these funds either by investing them in a trust or by taking out a life insurance policy against the customer. This structure ensures that the funeral costs agreed at the time of purchase are covered, protecting against future price inflation. Primary buyers are older adults, typically aged 50 and above.
15. **PPI:** Is an insurance policy designed to cover repayments in certain circumstances where an individual is unable to make them. For example, this may occur if the policyholder is made redundant or cannot work due to an accident, illness or disability.

Description of the markets impacted by amendments to CASS and COLL 5

16. There is overlap in the markets impacted by the proposed changes to CASS and COLL 5. CASS rules are broader in scope and apply to any FCA-authorized firm that holds or controls client money or safe custody assets as part of its business. The following image highlights the types of firms subject to CASS requirements.

Figure 1: Types of firms subject to CASS Rules

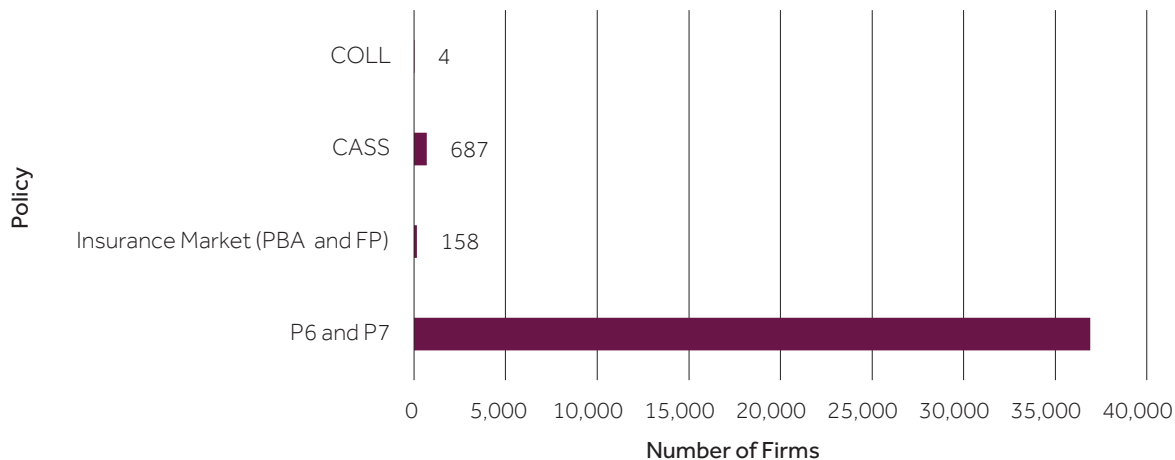


17. As the above image outlines, CASS rules cover a wide range of activities and firms where client money or assets are at risk.
18. COLL rules set out the regulatory framework for authorised funds in the UK. These mutual funds enable consumers to invest in diversified and protected assets and COLL 5 sets minimum standards for investment and borrowing by authorised funds. More specifically, the proposals will affect UK UCITS operators, which represent a subset of the total firm population subject to CASS rules. UCITS funds offer investors a regulated, transparent, and liquid investment product, and according to data from the Investment Association, there are currently 802 UCITS funds.

Number of firms

19. The proposed amendments to Principles 6 and 7 apply across the UK's retail financial markets, so we assume that all FCA-regulated firms – 36,899 in total – will be affected. However, the proposed amendments relating to CASS, COLL, and the insurance market are expected to impact a significantly smaller subset of regulated firms.

Figure 2: Estimated number of firms impacted, by policy area

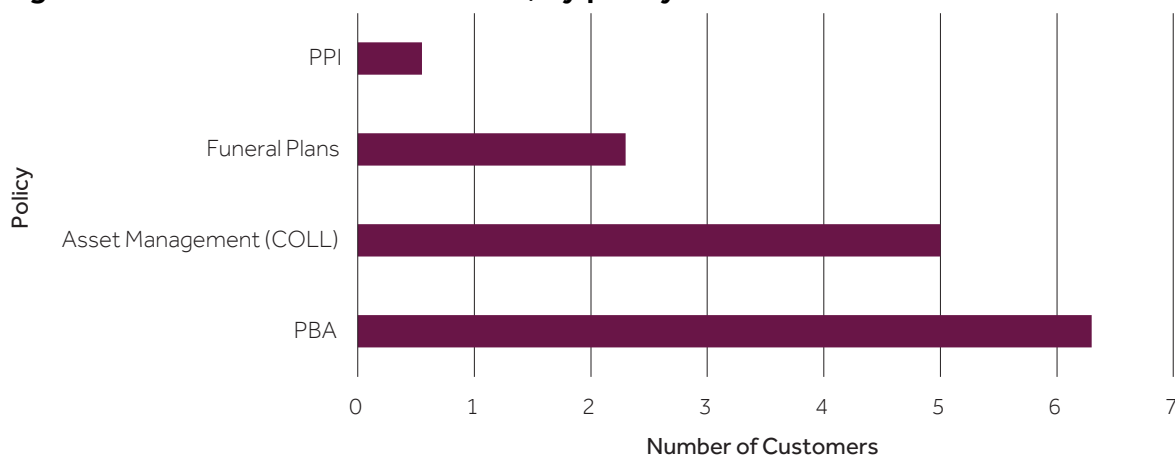


- 20.** We estimate, based on internal data, that the amendments to the insurance market will affect 128 PBA providers and 30 FP providers. However, we have not been able to accurately estimate the number of PPI providers. The proposed revisions to CASS will impact designated investment businesses with permissions to hold client money or assets, which we estimate to include 687 firms. Finally, the COLL 5 amendments will affect UK UCITS operators that invest in units of other collective investment schemes. Based on our discussions with industry, we expect that the COLL 5 proposals will impact 4 UCITS operators.

Number of consumers

- 21.** We do not expect the set of proposals to directly affect consumers in these markets. Nonetheless, in the chart below we outline the estimated number of consumers, by policy area. CASS regulations extend across multiple sectors, so we do not provide an estimate of customer numbers in this context. Outside of the markets covered by CASS rules, is the PBA market serving approximately 6.3m customers. Next, the largest market is the asset management market (a proxy for COLL) where 9% (approximately 5 million) of the UK adult population report investing in a fund or endowment, followed by the FP market serving 2.3m adults and the PPI market with only 1% (550,000) of UK adults reporting owning PPI.

Figure 3: Number of customers (m), by policy area



Size of the market

22. It has been challenging to accurately estimate the market value of the likely markets affected by each of the policy proposals as the proposals do not, in many cases, map to official sector definitions. Nevertheless, we have identified some possible proxies. For instance, the asset management sector, whilst broader in scope, likely captures the market impacted by COLL 5 changes. This market had £1.49 trillion UK investor funds under management in 2024. Combined with the fact that a significant proportion of the UK population report investing in a fund indicates that this sector is economically significant. Similarly, and whilst not an accurate reflection of the markets impacted by the insurance proposal's, turnover in the UK insurance market amounted to £151bn in 2024.

Table 1: Descriptive statistics

| | Packaged Bank Account | Funeral Plans | Payment Protection Insurance | Asset Management (COLL 5 Proxy) | Overall Financial Services Market |
|---------------------------|---|---|---|---|--|
| Number of Firms | 128 | 30 | PPI: We do not currently have an accurate estimate of the number of firms offering PPI. | Industry have indicated to us that 4 firms will likely be impacted by the proposals. | 36,899 |
| Number of Consumers | There are approximately 6.3m PBA customers. | There are approximately 2.3m customers. | PPI: <u>1%</u> of the UK adult population (550k). | In 2024, <u>39% of UK adults report investing</u> and <u>9%</u> (approximately 5m) report investing in a fund or endowment. | <u>55 million (UK adult population).</u> |
| Market Value | We have not been able to accurately estimate the relevant market values. However, in 2024 the UK's insurance sector turned over £151bn. | | | UK investor funds under management reached <u>£1.49</u> trillion in 2024. | In 2024, financial and professional services contributed <u>£281 billion</u> to gross value added (GVA). |
| Quantity of Products Sold | Approximately 6.3m. | Approximately 2.3m. | Approximately 550,000. | NA | NA |

Problem and rationale for intervention

Driver of harm – outdated regulation

- 23.** The harm stems from outdated regulation, which drives market inefficiencies. Following feedback from industry, we have identified areas where our current provisions are outdated and overlap with, or are superseded by, more recent rule changes. The findings can be grouped into two broad categories:
- **Duplicative rules or principles** – These are sections of the Handbook that restate, or replicate requirements or obligations set by our latest rules or principles. We have heard from industry that this creates uncertainty and reduces clarity for firms about what is required to comply with our latest regulatory expectations.
 - **Over-prescription** – Some rules prescribe specific processes or approaches that are no longer necessary. We have heard from firms that there are areas where overly prescriptive rules limit their ability to tailor approaches to customer circumstances and raise administrative costs.

The harm – unnecessary burden on firms

- 24.** Through these drivers of harm, firms spend time and resources complying with redundant rules and in certain cases are unnecessarily restricted in their ability to tailor their approach to meet varied customer needs. This impacts firms' productivity and results in opportunity costs as employees allocate time to compliance activities that could be spent elsewhere. In some cases, firms also need to clarify their understanding of the rules with the FCA, leading to costs for both parties. These additional costs may also be passed on to consumers.
- 25.** Below and in preceding chapters in the CP, we set out specific areas that we have identified where firms are spending unnecessary resources, and in the *benefits* section of this CBA, we quantify this resource where reasonably practicable.

Options

- 26.** We considered alternative options before selecting the proposed package of interventions, which we detail below. We summarise the key options and our rationale below.

Table 2: Options analysis

| Alternative option | Rationale |
|---|---|
| Do nothing – rely on existing rules | In the case of references to Principles 6 and 7 and other aspects of our proposals, this would leave references in our Handbook that have been either partially or wholly superseded. Leaving these references in place could potentially cause confusion as to our requirements and a lack of clarity on the effects of the introduction of the Consumer Duty. |
| Remove references to Principles 6 and 7 but go no further in streamlining our prescriptive rules. This means not taking forward the proposed CASS changes, COLL 5 amendments or the proposed amendments to insurance rules. | This would limit the impact of our proposals in advancing the objectives of our Consumer Duty Requirements Review, meaning firms continue to spend unnecessary time and resources on complying with regulations. |
| Recommended – Remove duplicative and outdated rules in handbooks | The proposals aim to provide firms with more flexibility, predictability and improved efficiency while maintaining high standards of consumer protection. |

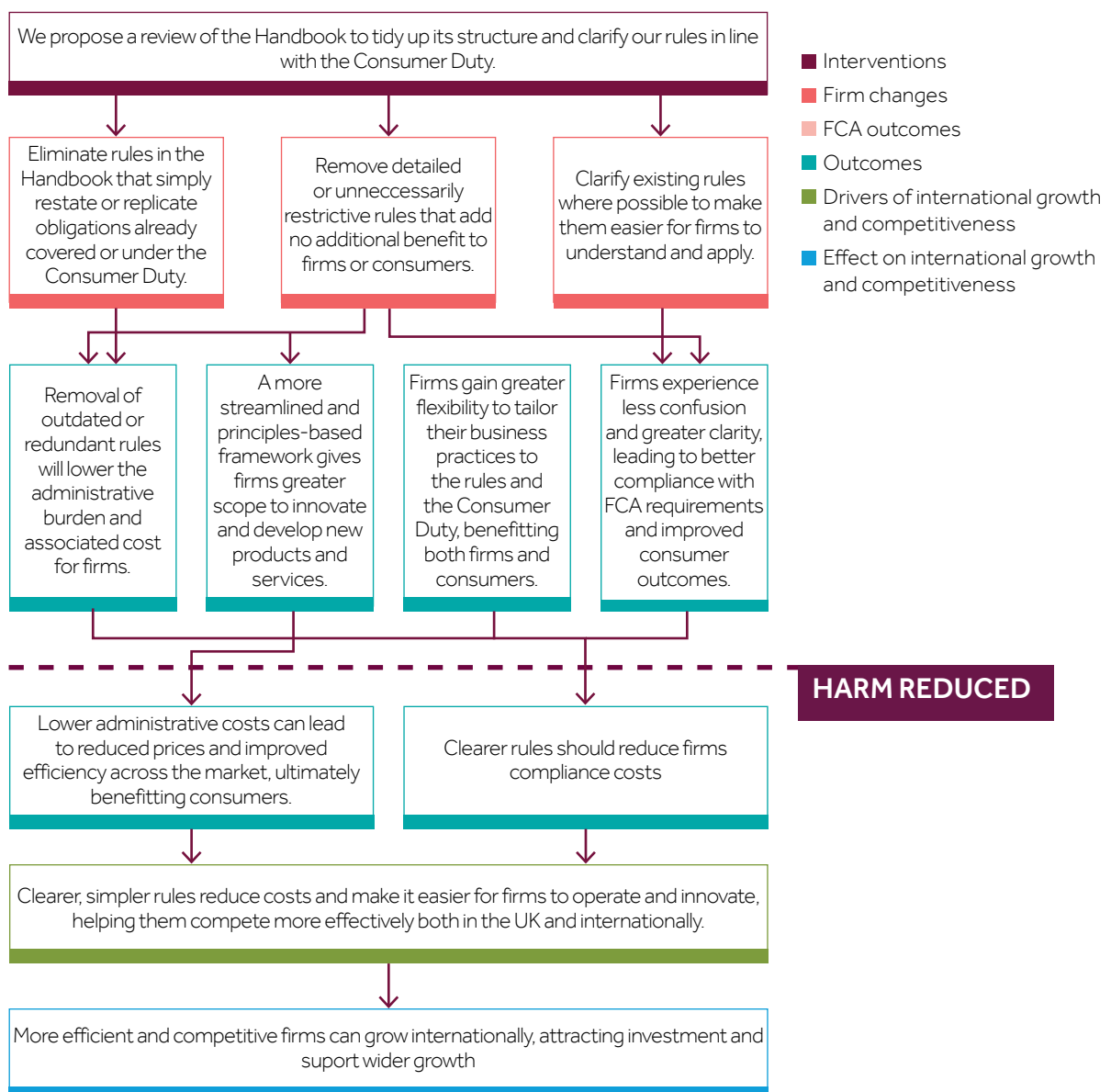
Our proposed intervention

- 27.** We are seeking stakeholders' views on targeted clarifications of our rules and guidance. These proposals are designed to:
- Resolve uncertainty in our rules and guidance, that have been wholly or in part superseded.
 - Introduce greater proportionality and clarity to existing rules.
 - Resolve clear cases of conflict and duplication within our rules.
- 28.** The proposed changes range from making amendments to references to principles that apply across multiple sectors to more specific changes that will affect a subset of the FCA's authorised firm population. Overall, the proposals aim to reduce the administrative burden on firms and clarify our rules while maintaining high levels of consumer protection. For more details on the individual proposals please refer to the relevant sections of the CP.

29. The causal chain diagram below sets out how the FCA expects the proposed interventions to take effect. However, in making this assessment, we have made several key assumptions:

- Removing rules in the Handbook that replicate obligations covered elsewhere in the Handbook or under the Consumer Duty will lower firms' compliance costs, which will improve firm level efficiency.
- Removing detailed or unnecessarily restrictive rules will give firms greater flexibility to innovate and tailor products and services to better meet consumers' needs.
- Offering firms greater flexibility to tailor their business practices will also result in lower compliance costs – improving efficiency.
- At the macroeconomic level, reducing compliance costs for firms will enhance the competitiveness of UK-based companies in both domestic and international markets, thereby fostering economic growth.

Figure 4: Causal Chain



Baseline and key assumptions

Baseline

- 30.** The baseline for this CP's cost-benefit analysis is a scenario in which we do not intervene. In that case, the identified harms such as conflicting and duplicative rules would remain.
- 31.** In the table below, we set out our assessment of the number of firms that will be affected by the proposals.

Table 3: Firms affected by our proposals

| | Small | Medium | Large |
|---------------------------|--------|--------|-------|
| Principle 6/7 & TCF | 35,542 | 1163 | 194 |
| COLL 5 | 0 | 3 | 1 |
| CASS | 662 | 22 | 4 |
| Insurance Rules – PBA | 123 | 4 | 1 |
| Insurance Rules – Funeral | 23 | 5 | 2 |

Key assumptions

- 32.** The analysis in this chapter is based on several key assumptions which we set out below:
- It is anticipated that all regulated firms will need to allocate time to review and understand the proposed changes, given their broad impact across regulated sectors. However, as certain amendments will affect only firms within specific sectors, we assume that not all firms will derive equal benefit from these changes.
 - Our cost-benefit analysis assumes that firms will incur different costs and derive different benefits based on factors such as size.
 - It is expected that consumers will not be directly affected by the proposals, as they do not alter existing expectations for firms.
 - We assume our salary estimates reflect current market rates affected by these changes.
 - In line with [Green Book guidance](#), we have discounted all future costs and benefits by an annual rate of 3.5%.
 - In line with [FCA CBA guidelines](#), we have analysed the costs and benefits over a 10-year appraisal period.
 - In line with the [latest guidance](#), we have not adjusted the economic costs of compliance for inflation because the underlying components of those costs, such as labour, are also expected to rise broadly in line with inflation.
 - We assume there will be full compliance with the proposals set out in this consultation paper.

Summary of impacts

- 33.** Table 4 below summarises the estimated ongoing benefits and costs that have been quantified. Because of data limitations, a substantial proportion of the expected benefits could not be quantified. Table 6 therefore provides a qualitative assessment of these benefits. The quantified ongoing benefits amount to £14.1m and are driven by reductions in firms' distribution costs resulting from changes to the eligibility requirements for offering packaged bank accounts.
- 34.** The estimated one-off costs relate to time spent by firms familiarising themselves with the proposed changes and amount to £15.2m. We do not expect the proposals to result in ongoing costs for firms. Finally, we do not expect the proposals to result in direct costs or benefits to consumers, however, a description of the potential indirect costs and benefits can be found in the relevant sections of the CBA below.
- 35.** Table 4 below provides a summary of the estimated costs and benefits for each policy area.

Table 4: Estimated Costs and Benefits

| | |
|--|--------|
| One-off Benefits – none | - |
| Total present value of ongoing Benefits | £14.1m |
| One-off costs – familiarisation costs | £15.2m |
| Total present value of ongoing Costs | - |
| Net Present Value | £-1.1m |
| EANDCB | £0.13m |

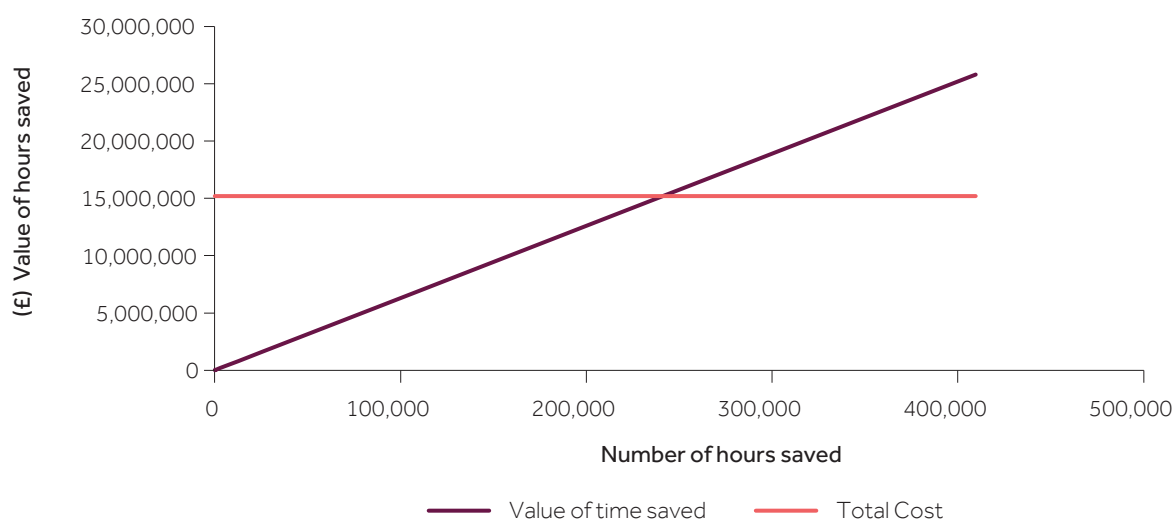
Table 5: Summary of impacts by policy area

| Group affected | Amendment description | Benefits | | Costs | |
|---|--|----------------|---|--|----------------|
| | | One off | Ongoing | One off | Ongoing |
| Amendments to CASS Rules | | | | | |
| Firms | Alterations to CASS rules | None expected. | We expect the proposals to save firms time complying with outdated or redundant rules. For a more detailed description of the benefits, refer to table 6. However, due to data limitations, we have not quantified the ongoing benefits to firms. | Total familiarisation costs across all proposals amount to £15.2m. | Negligible. |
| Consumers | | None expected. | None expected. | None expected. | None expected. |
| Amendments to Insurance Rules | | | | | |
| Firms | Simplifying regulatory framework for non-investment insurance business and insurance plans | None expected. | We expect the proposals to save firms time complying with outdated or redundant rules. In addition, we expect amendments to the eligibility requirements to reduce firms' distributional costs, which we estimate will amount to savings of £14m. | Total familiarisation costs across all proposals amount to £15.2m. | Negligible. |
| Consumers | | None expected. | None expected. | None expected. | None expected. |
| COLL 5 | | | | | |
| Firms | Amendments to COLL 5.2.29R | None expected. | The current rules risk resulting in certain funds shutting down which will restrict consumer choice. However, due to data limitations we have not quantified the benefits. | Total familiarisation costs across all proposals amount to £15.2m. | Negligible. |
| Consumers | | None expected. | Consumers may indirectly benefit from increased consumer choice. However, due to data limitations we have not quantified the benefits. | None expected. | None expected. |
| Review of Principle 6/7 References and Amendments to TCF References | | | | | |
| Firms | Additional clarity to firms | None expected. | Any benefits resulting from improved clarity are likely to be negligible. | Total familiarisation costs across all proposals amount to £15.2m. | None expected. |
| Consumers | | None expected. | None expected. | None expected. | None expected. |

Breakeven analysis

- 36.** The graph below shows how many compliance hours firms would need to save to balance the projected costs of the policy proposals over the ten-year appraisal period. The average cost of compliance time is estimated using assumptions from the Standardised Cost Model (SCM) and the median hourly wage of a compliance officer, which is £63 after accounting for overheads. Using these assumptions and a total cost estimate of £15.2 million, the policy breaks even after 241,359 hours of time savings. With 36,889 firms included in the appraisal period, this equates to an average saving of 6.5 hours per firm over ten years. On this basis, we consider it very likely that the benefits to firms will far outweigh the costs.

Figure 5: Breakeven Analysis



Benefits

- 37.** In general, we anticipate that the proposals will reduce compliance costs for firms. At this stage, due to data limitations, it has not been possible to quantify the potential benefits associated with several of the proposals outlined in table 6. We therefore encourage respondents to share relevant information in their responses that might help inform our understanding of the potential benefits. When we finalise our proposals, we will include updated estimates of the expected costs and benefits using information shared during the consultation period to inform our final analysis.
- 38.** In this section, we start with a qualitative description of the potential benefits for firms associated with the each of the proposals, which can be found in table 6 below. Following this, where it has been possible to do so, we include our quantitative assessment of the potential benefits for firms. We end the benefits section with a qualitative description of the potential indirect benefits that may accrue to consumers.

Qualitative assessment of firm benefits

Table 6: Qualitative Assessment of firm benefits

| Proposed amendment | Description of benefits |
|--|--|
| CASS | |
| Due diligence record-keeping requirements | The proposals would save firms the effort of retaining historical records over a longer period than necessary and/or the administrative burden of missing historic records causing unresolvable breaches of CASS. This should also translate to time saved for the FCA in investigating immaterial breaches. |
| Record sources for the external custody reconciliation | Where it is beneficial to do so, firms would have the option to use a readily accessible electronic information source for external custody reconciliations. This may save firms' time through reducing the need for manual processing and protect client assets through enabling daily reconciliations and faster remediation of discrepancies. |
| Statement frequency for the external custody reconciliation | This amendment recognises operational realities that can prevent firms from obtaining statements at least monthly, thus avoiding CASS breaches that occur due to circumstances outside of a firm's control. This is likely to reduce time spent on compliance. |
| Retention of interest earned on retail client money | As the Duty is already in force, we do not expect any significant benefit from this proposal. |
| Firm-owed interest received into client bank accounts | This change would prevent firms breaching CASS rules due to operational circumstances that are beyond their control. This should translate to time saved for firms and the FCA in managing immaterial breaches. |
| Bank interest received before it is due and payable to the client | This change would prevent firms breaching CASS rules despite seeking to act in the best interests of their clients. This should translate to time saved for firms and the FCA in managing immaterial breaches. |
| Use of retail client's custody assets for securities financing transactions | As the Duty is already in force, we do not expect any significant benefits from this proposal. |
| Simplification of Insurance Rules | |
| Remove PPI-specific rules on customer eligibility and disclosure (general eligibility rules will apply instead) | It is expected that any potential benefits will be minimal, as PPI is infrequently sold and firms are presumed to already adhere to CD standards. |

| Proposed amendment | Description of benefits |
|--|--|
| Remove PBA-specific eligibility rules (general eligibility rules for non-investment insurance contracts will apply). Introduce guidance for firms to assess eligibility throughout the contract lifecycle and inform customers of changes affecting their ability to claim. | Incorporating eligibility monitoring and the annual statement requirements into the wider CD and ICOBS frameworks is expected to streamline compliance processes. This change is anticipated to reduce administrative expenses by granting firms greater flexibility in determining the timing and method of distributing statements to customers. It is estimated that these adjustments will lead to fewer letters being sent to customers, resulting in lower distribution costs. |
| Remove the minimum 12-month product review requirement for funeral plan manufacturers | Removing the fixed 12-month review rule reduces administrative and compliance costs for funeral plan providers. Firms gain flexibility to set review periods that match the risk and nature of their products, easing regulatory burden and allowing them to focus resources on effective product oversight and delivering good outcomes for consumers. |
| Remove additional expectations in PROD 4.5 for manufacturers and distributors regarding value measures data. Rely on the broader, more extensive requirements in other PROD chapters (especially PROD 4.2). | Deleting PROD 4.5 eliminates duplication with other rules (notably PROD 4.2 and 4.3), thereby simplifying the rulebook and reducing complexity for firms. |
| Remove the rule requiring firms to share pricing records with the senior manager responsible for making the attestation to us. | This amendment deletes an obsolete rule, maintaining consistency within the Handbook and removing requirements that are no longer effective. |
| Amending references to Principles 6/7 and TCF Amendments | |
| Amending references to Principle 6 and 7 | Benefits are expected to be limited given firm expectations are not changing. However, removing references that have been either wholly or partly superseded will make the rules and expectations clearer for firms. |

| Proposed amendment | Description of benefits |
|---------------------------------------|---|
| COLL 5 | |
| Removing parts of COLL 5.2.29R | <p>The concentration rule ensures a UCITS scheme spreads risk prudently and limits the influence of one fund over another when acquiring units in a target fund. However, we believe there are other rules in COLL which address these risks, and we therefore believe there are parts of COLL 5.2.29R that are no longer needed.</p> <p>The benefits of this proposal are anticipated to be modest, as the change is not expected to affect market risk. However, it should provide some relief by marginally reducing the regulatory burden currently imposed on firms.</p> |

Quantitative Assessment of Firm Benefits

Simplifying Insurance Rules

- 39.** Below we set out indicate estimates of the reduction in firm costs that may result from (i) the proposed removal of prescriptive pre-sale and post-sale requirements for PBAs and (ii) the removal of prescriptive 12-month product review requirements for funeral plan manufacturers.
- 40.** As described above, the simplification of rules is anticipated to lower firms' overall administrative and compliance costs. The following outlines the estimated cost reductions based on input from the supervisory and policy team and the associated assumptions:

Packaged Bank Accounts

- 41.** As outlined above, the elimination of prescriptive pre- and post-sale requirements is expected to decrease firms' distributional costs, as they will no longer be obligated to provide annual PBA Statements to existing customers or statements at the point of sale. Currently, firms retain discretion over the method of statement delivery, opting to distribute them digitally (e.g., via email) or by post. After the amendment, it is anticipated that firms will discontinue sending annual eligibility statements directly to customers and will instead integrate customer communications into broader monitoring frameworks in accordance with the CD. We anticipate that this will reduce distributional costs in situations where letters are sent by post.
- 42.** It is anticipated that any cost savings associated with cases where annual eligibility statements are already distributed digitally will be minimal; therefore, these have not been quantified in this analysis.
- 43.** We do not have data regarding the proportion of statements distributed via post. Nevertheless, we believe it is reasonable to assume that firms send statements by post to elderly customers. Drawing on ONS population estimates, we have adopted a conservative assumption that statements are sent exclusively to customers aged 70 and above, who represent 17% of the UK adult population according to the data.

Based on this approach, we estimate that 17% of the currently estimated 6.3m PBA customers receive annual eligibility statements and on average this costs firms £1.49 to send a letter, resulting in a total projected annual cost of £1.6m.

Funeral Plans

44. As shown in table 7, this amendment allows firms to set review periods according to product risk and nature. This contrasts with the existing regulations, which mandate that firms conduct a product review over a fixed period of twelve months. For less risky products, this change may reduce review frequency and therefore lower costs. However, we lack data to make a reasonable assessment of the expected impact this amendment will have on the frequency of product reviews, meaning we are not able to quantify the expected benefit of this change. Using estimated ongoing product governance costs from CP21/4, we examine scenarios with 20% and 30% cost reductions. While these examples are illustrative and their benefits aren't included in the CBA, they indicate the potential scale of benefits.

Table 7: Cost and savings breakdown to firms

| Estimates | Small firm | Medium firm | Large firm | Total Annual Savings |
|--------------------------------------|------------|-------------|------------|----------------------|
| Ongoing PROD costs | £8,071 | £37,500 | £316,000 | NA |
| Assumed savings 20% of ongoing costs | £1,614 | £7,500 | £63,200 | NA |
| Assumed savings 30% of ongoing costs | £2,421 | £11,250 | £94,800 | NA |
| TOTAL savings (20%) | £37,122 | £37,500 | £126,400 | £201,027 |
| TOTAL savings (30%) | £55,683 | £56,250 | £189,600 | £301,540 |

Benefits to Consumers

45. In general, we do not expect consumers to be directly affected by the proposed changes. This is because the changes remove instances of regulatory overlap with expectations already set out under the Consumer Duty or remove rules that add costs to firms without providing additional consumer protection. However, there may be cases where removing more prescriptive rules has indirect effects on consumers. For example, reducing administrative burdens on firms could lead to cost savings that are passed on to consumers in the affected markets.
46. The proposals will also clarify which principles and rules apply when sector-specific regulations overlap with the Consumer Duty, thus reducing the risk that firms misunderstand what is expected of them. This, in turn, should raise standards which will indirectly benefit consumers.

Costs

Costs to consumers

47. We do not expect the proposals to impose costs on consumers.

Costs to firms

48. We do not anticipate that the proposed changes will impose significant costs on firms, as existing standards and expectations established by the Consumer Duty remain unchanged. Accordingly, we expect minimal adjustments to current processes and practices. However, certain proposed amendments are designed to provide firms with increased flexibility in meeting existing requirements, which could prompt some organisations to implement minor modifications if considered beneficial. On balance, however, these amendments are expected to reduce ongoing compliance costs. Nevertheless, we recognise that firms will incur one-off costs related to the time required to review and familiarise themselves with the amendments.
49. Using our SCM, we have provided estimates based on the identified overall population of firms impacted by our proposals – 194 large firms, 1,163 medium firms and 35,542 small firms. This CP contains 70 pages of policy documentation for firms to familiarise themselves with. Assuming there are 300 words per page and assuming a reading speed of 100 words per minute, 3.5 hours would be required to read the policy documentation (per staff member). It is assumed that for large, medium and small firms respectively 20, 5 and 2 compliance staff will be engaging in familiarisation with the CP.
50. Assuming hourly compliance staff salaries (including overheads) of £68 for large firms, £63 for medium firms and £52 for small firms, the total estimated familiarisation costs would amount to £15.2m.
51. The assumptions underpinning this analysis are outlined below:

Table 8: Cost breakdown to firms

| | Large | Medium | Small |
|--|----------|------------|-------------|
| Number of firms impacted | 194 | 1163 | 35542 |
| Familiarisation staff | 20 | 5 | 2 |
| Average number of hours spent per staff member | 3.5 | 3.5 | 3.5 |
| Hourly salary (including overheads) | £68 | £63 | £52 |
| Total cost | £923,000 | £1,289,000 | £12,994,000 |

Wider economic impacts

52. Our proposals will support economic growth and international competitiveness in UK financial markets by improving regulatory efficiency and driving innovation.

- 53. Regulatory efficiency:** By amending our rules to remove duplicative processes and streamlining requirements, our proposals will contribute to making our rules, along with the cost and effort incurred by firms, more proportionate to the benefit that firms and consumers derive from them. In addition, increasing regulatory clarity reduces compliance costs, which can free up resources for firms to put towards more productive uses therefore driving productivity growth.
- 54.** Improving regulatory efficiency can also improve the UK's international competitiveness. A clearer and lower cost regulatory regime can increase the UK's attractiveness as a place to do business in. It can also enable UK export-orientated firms to maintain export competitiveness.
- 55. Innovation:** The proposals outlined in this CP, through the reduction of prescriptive regulatory requirements, will provide firms with greater flexibility to optimise their processes in pursuit of improved consumer outcomes – supporting financial sector productivity. Furthermore, developing an environment that supports business innovation will also increase the attractiveness of the UK to potential foreign investors or entrants who might want to benefit from the service – improving the UK's international competitiveness.

Monitoring and evaluation

- 56.** The intention of the proposals set out in the CP are not to increase the overall regulatory burden on firms. We are focused on streamlining the framework by removing obsolete rules, revising provisions to enhance flexibility, and introducing proportionate measures that alleviate unnecessary regulatory burden. Whilst we do not propose an active plan to monitor the outcomes of our intervention, we will monitor this through some of the sources referred to in the Rule Review Framework.
- 57.** We will continue to monitor compliance with our rules through our current supervisory approach, and we will continue to engage with industry and trade bodies for feedback on the results of our intervention.

Annex 3

Compatibility Statement

Compliance with legal requirements

1. This Annex records the FCA's compliance with a number of legal requirements applicable to the proposals in this consultation, including an explanation of the FCA's reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA).
2. When consulting on new rules, the FCA is required by section 138I(2)(d) FSMA to include an explanation of why it believes making the proposed rules (a) is compatible with its general duty, under section 1B(1) FSMA, so far as reasonably possible, to act in a way which is compatible with its strategic objective and advances one or more of its operational objectives, (b) so far as reasonably possible, advances the secondary international competitiveness and growth objective, under section 1B(4A) FSMA, and (c) complies with its general duty under section 1B(5)(a) FSMA to have regard to the regulatory principles in section 3B FSMA. The FCA is also required by s 138K(2) FSMA to state its opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
3. This Annex also sets out the FCA's view of how the proposed rules are compatible with the duty on the FCA to discharge its general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (section 1B(4)). This duty applies in so far as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.
4. In addition, this Annex explains how we have considered the recommendations made by the Treasury under s 1JA FSMA about aspects of the economic policy of His Majesty's Government to which we should have regard in connection with our general duties.
5. This Annex includes our assessment of the equality and diversity implications of these proposals.
6. Under the Legislative and Regulatory Reform Act 2006 (LRRRA) the FCA is subject to requirements to have regard to a number of high-level 'Principles' in the exercise of some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules). This Annex sets out how we have complied with requirements under the LRRRA.
7. In preparing the proposals as set out in this consultation, we have had regard to the FCA's duty to promote effective competition in the interests of consumers.

8. Firms implementing these changes are likely to benefit from a reduced administrative burden and improved clarity on our expectations which could lead to some cost savings. This includes potential benefits for smaller firms which may lack the compliance resources of larger firms.
9. This Annex includes our assessment of the equality and diversity implications of these proposals.
10. Under the Legislative and Regulatory Reform Act 2006 (LRRRA) the FCA is subject to requirements to have regard to a number of high-level 'Principles' in the exercise of some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules). This Annex sets out how we have complied with requirements under the LRRRA.

Treasury remit letter and recommendations

11. In the remit letter from the Chancellor of the Exchequer to the FCA on 14 November 2024, the Chancellor urged the FCA to continue its work to support the government's growth mission. The Chancellor also stated that we must have we should have regard to creating a regulatory environment which facilitates growth through supporting competition and innovation while welcoming the FCA's work to understand where existing regulation could be streamlined.
12. We have had regard to this and consider our proposals support the government's growth agenda by clarifying and streamlining requirements for firms while maintaining a high standard of customer protection.

The FCA's objectives and regulatory principles: Compatibility statement

13. We are satisfied that the proposed amendments are compatible with our strategic objective and other legal obligations. The amendments advance our operational objectives of securing an appropriate degree of consumer protection and promoting effective competition in the interests of consumers, as the proposals will reduce the costs and improve efficiency for firms without negatively impacting consumer outcomes.
14. These proposals clarify our expectations, particularly with regard to the Consumer Duty which sets high standards of consumer protection, and reflect up to date market practices. This can support new entrants to the market by providing greater regulatory certainty and enable innovation, particularly as newer and smaller firms may lack the compliance infrastructure of more established firms.
15. We consider these proposals are compatible with the FCA's strategic objective of ensuring that the relevant markets function well by clarifying our regulatory standards and ensuring the regulatory burden on firms is proportionate while maintaining high standards of consumer protection.

- 16.** We consider these proposals also support the FCA's secondary objective in facilitating competitiveness and growth. Our proposals aim to achieve more proportionate regulation and clarify our requirements which has the potential to lower costs for firms and reduce the administrative burden on them. We hope that these proposals make the UK market more attractive for firms across different sectors and enable innovation.
- 17.** In preparing the proposals set out in this consultation, the FCA has had regard to the regulatory principles set out in s 3B FSMA.

The need to use our resources in the most efficient and economic way

- 18.** The proposals in this paper will not lead to material changes in our supervision approach or use of resources.

The principle that a burden or restriction should be proportionate to the benefits

- 19.** Our proposals have the potential to reduce the administrative burden on firms and lead to increased efficiency and cost savings.

The need to contribute towards achieving compliance by the Secretary of State with section 1 of the Climate Change Act 2008 (UK net zero emissions target) [and section 5 of the Environment Act 2021 (environmental targets)]

- 20.** In developing this consultation, we have considered the environmental, social and governance implications of our proposals and our duty under these acts.
- 21.** Our proposals do not have an impact on these targets.

The general principle that consumers should take responsibility for their decisions

- 22.** Our proposals do not impact the principle that consumers should take responsibility for their decisions.

The responsibilities of senior management

- 23.** Our proposals do not alter the responsibilities of senior management.

The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation

- 24.** The increased flexibility and clarity brought by some of these proposals can benefit firms with different approaches, including smaller firms that may have access to less compliance resource.

The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information

25. Our proposals do not affect the publication of information.

The principle that we should exercise of our functions as transparently as possible

26. In developing these proposals, we have acted as transparently as possible. We have engaged with a range of stakeholders and gathered a high volume of feedback to inform these proposals including through our 2024 Call for Input and our Regulatory Summit earlier this year. Some of these proposals have been referenced in previous publications including FS25/2 and CP25/12.
27. *In formulating these proposals*, the FCA has had regard to the importance of taking action intended to minimise the extent to which it is possible for a business carried on (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by s 1B(5)(b) FSMA).
28. We do not expect our proposals to have any impact on the extent to which businesses can be used for a purpose connected with financial crime.

Expected effect on mutual societies

29. The FCA does not expect the proposals in this paper to have a significantly different impact on mutual societies. Our proposals will apply to mutual societies in the same way as they apply to other authorised persons.

Equality and diversity

30. We are required under the Equality Act 2010 in exercising our functions to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not, to and foster good relations between people who share a protected characteristic and those who do not.
31. As part of this, we ensure the equality and diversity implications of any new policy proposals are considered. We do not consider our proposals to have any material equality and diversity implications or impact on any of the groups with protected characteristics under the Equality Act 2010. We will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when making the final rules to ensure our approach remains appropriate.

Legislative and Regulatory Reform Act 2006 (LRRRA)

- 32.** We have had regard to the principles in the LRRRA for the parts of the proposals that consist of general policies, principles or guidance and consider that the proposals will be effective in helping firms understand and meet regulatory requirements more efficiently. We also believe that our proposals ensure an appropriate level of consumer protection is maintained. We have considered the principles in the following way:
- **Transparent** – We are consulting on our proposals and inviting views from stakeholders, just as we have previously including through our Call for Input referenced in this consultation.
 - **Accountable** – We are acting within our statutory powers and will publish final rules following consideration of the feedback received into this consultation.
 - **Proportionate** – Several of these proposals seek to reduce the administrative burden on firms where possible while maintaining a high standard of consumer protection, helping to achieve more proportionate regulation for firms.
 - **Consistent** – These proposals will lead to greater consistency across our Handbook, including by updating and removing references that have been wholly or partly superseded.
 - **Targeted only at cases in which action is needed** – We consider the proposals in this paper to be targeted and needed. The CBA details alternative options and why we have opted for this approach.
- 33.** We have had regard to the Regulators' Code for the parts of the proposals that consist of general policies, principles or guidance and consider that our proposals are consistent with the principles of the code. Through this consultation, stakeholders can let us know their views and we have set out information on the potential harms that we are addressing by taking action. This consultation and instrument will allow firms to understand the requirements applicable to them and we are setting out our aims in a transparent manner.

Annex 4

Abbreviations used in this paper

| Abbreviation | Description |
|----------------|--|
| CASS | Client Assets Sourcebook |
| CBA | Cost Benefit Analysis |
| CDRR | Consumer Duty Requirements Review |
| CFI | <u>Call for Input: Review of FCA requirements following the introduction of the Consumer Duty</u> |
| COBS | Conduct of Business Sourcebook |
| COLL | Collective Investment Schemes sourcebook |
| CP | Consultation Paper |
| CP25/12 | <u>Simplifying the insurance rules: Proposed amendments following DP24/1 and discussion on further changes for insurance and funeral plans</u> |
| ESG | Environmental, social and governance |
| EU | European Union |
| EUI | Euroclear UK & International (EUI's) |
| FCA | Financial Conduct Authority |
| FS25/2 | <u>Feedback Statement</u> |
| FSA | Financial Services Authority |
| FSMA | Financial Services and Markets Act 2000 |
| ICOBs | Insurance: Conduct of Business Sourcebook |
| IFS | Investment Funds Service |
| LRRA | Legislative and Regulatory Reform Act 2006 |
| PERG | Perimeter Guidance Manual |

| Abbreviation | Description |
|-----------------|--|
| PPI | Payment Protection Insurance |
| PRA | Prudential Regulation Authority |
| PRIN | Principles for Business Sourcebook |
| PROD | Product Intervention and Product Governance sourcebook |
| PS | Policy Statement |
| RPPD | Responsibilities of Providers and Distributors for the Fair Treatment of Customers |
| RRF | Rules Review Framework |
| SBPP | Smaller Business Practitioner Panel |
| SICGO | Secondary International Competitiveness and Growth Objective |
| SYSC | Senior Management Arrangements, Systems and Controls |
| TCF | Treating Customers Fairly |
| The Duty | Consumer Duty |
| UCITS | Undertakings for Collective Investment in Transferable Securities |

Appendix 1

Draft Handbook text

TARGETED CLARIFICATIONS OF HANDBOOK MATERIALS INSTRUMENT 202X

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”), including as applied by paragraph 3 of Schedule 6 to the Payment Services Regulations 2017 (SI 2017/752) and paragraph 2A of Schedule 3 to the Electronic Money Regulations 2011 (SI 2011/99):
 - (a) section 137A (The FCA’s general rules);
 - (b) section 137B (FCA general rules: clients’ money, right to rescind etc);
 - (c) section 137R (Financial promotion rules);
 - (d) section 137T (General supplementary powers);
 - (e) section 138C (Evidential provisions);
 - (f) section 139A (Power of the FCA to give guidance);
 - (g) section 247 (Trust scheme rules); and
 - (h) section 261I (Contractual scheme rules);
 - (2) regulation 120 (Guidance) of the Payment Services Regulations 2017;
 - (3) regulation 60 (Guidance) of the Electronic Money Regulations 2011;
 - (4) regulation 6 (FCA rules) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228); and
 - (5) the other rule and guidance making powers listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA’s Handbook.
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on *[date]*.

Amendments to the Handbook

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

| (1) | (2) |
|---|---------|
| Glossary of definitions | Annex A |
| Principles for Businesses sourcebook (PRIN) | Annex B |

| | |
|--|---------|
| Senior Management Arrangements, Systems and Controls sourcebook (SYSC) | Annex C |
| Code of Conduct sourcebook (COCON) | Annex D |
| General Provisions (GEN) | Annex E |
| Prudential sourcebook for Insurers (INSPRU) | Annex F |
| Conduct of Business sourcebook (COBS) | Annex G |
| Insurance: Conduct of Business sourcebook (ICOBS) | Annex H |
| Mortgages and Home Finance: Conduct of Business sourcebook (MCOB) | Annex I |
| Banking: Conduct of Business sourcebook (BCOBS) | Annex J |
| Claims Management: Conduct of Business sourcebook (CMCOB) | Annex K |
| Funeral Plan: Conduct of Business sourcebook (FPCOB) | Annex L |
| Pensions Dashboards: Conduct of Business sourcebook (PDCOB) | Annex M |
| Client Assets sourcebook (CASS) | Annex N |
| Product Intervention and Product Governance sourcebook (PROD) | Annex O |
| Supervision Manual (SUP) | Annex P |
| Dispute Resolution: Complaints sourcebook (DISP) | Annex Q |
| Access to Cash sourcebook (ATCS) | Annex R |
| Collective Investment Schemes sourcebook (COLL) | Annex S |
| Consumer Credit sourcebook (CONC) | Annex T |

Amendments to material outside the Handbook

- E. The Perimeter Guidance manual is amended in accordance with Annex U to this instrument.
- F. The Wind-down Planning Guide is amended in accordance with Annex V to this instrument.

Revocation of regulatory/registry guide

- G. The FCA revokes the Responsibilities of Providers and Distributors for the Fair Treatment of Customers (RPPD) guide in its entirety.

Notes

- H. In the Annexes to this instrument, the notes (indicated by “**Note:**” or “*Editor’s note:*”) are included for the convenience of readers, but do not form part of the legislative text.

Citation

- I. This instrument may be cited as the Targeted Clarifications of Handbook Materials Instrument 202X.

By order of the Board
[*date*]

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

Insert the following new definition in the appropriate alphabetical position. The text is not underlined.

Consumer Duty the obligations in *Principle 12* and *PRIN 2A*.

Amend the following definitions as shown.

liability to a policyholder (in relation to a firm carrying out contracts of insurance) any liability or obligation of that *firm* to, or in respect of, a *policyholder*, including any liability or obligation arising:

- (a) from the *Consumer Duty* or the requirement to treat *customers* fairly under *Principle 6*, including with respect to *policyholders*' reasonable expectations; or
- (b) from a determination of liability by an *Ombudsman*; or
- (c) from any requirement to pay compensation under the *regulatory system*.

[*Editor's note*: the definition of 'regulated market' takes into account the changes made by the Prospectus Instrument 2025, which comes into force on 19 January 2026.]

regulated market (1) a regulated market which is a *UK RIE*.

[Note: section 313(1) of the *Act* and article 2(1)(13A) of *MiFIR*]

(2) (in addition, in *INSPRU*, *IPRU(INS)*, *SYSC 3.4*, *COBS 2.2B* and *MAR 5-A* and for the purposes of ~~*Principle 12* and *PRIN 2A*~~ the *Consumer Duty* only) a market situated outside the *United Kingdom* which is characterised by the fact that:

- (a) it meets comparable requirements to those set out in (1); and
- (b) the *financial instruments* dealt in are of a quality comparable to those in a regulated market in the United Kingdom.

(3) (in *MAR 1*, *FUND*, *COLL* and *COBS 21*) as in (1) above or an *EU regulated market*.

Annex B

Amendments to the Principles for Businesses sourcebook (PRIN)

In this Annex, underlining indicates new text and striking through indicates deleted text.

1 Introduction

1.1 Application and purpose

...

~~Responsibilities of providers and distributors under the Principles~~

- 1.1.10 G ~~*RPD* contains guidance on the responsibilities of providers and distributors for the fair treatment of *customers* under the *Principles*. [deleted]~~

...

2A The Consumer Duty

2A.1 Application and purpose

Application

- 2A.1.1 R ~~References in *PRIN* to the obligations on *firms* under *Principle 12* include the obligations imposed by rules in *PRIN 2A*. [deleted]~~
- 2A.1.2 R ~~References in *PRIN* to obligations imposed on *firms* under *PRIN 2A* include the obligation imposed by *Principle 12*. [deleted]~~
- 2A.1.3 G The application of ~~*Principle 12* and *PRIN 2A*~~ the Consumer Duty is set out in *PRIN 3*, including *PRIN 3.2.6R* to *PRIN 3.2.12G*. ~~*Principle 12*~~ The Consumer Duty applies in relation to a *firm's retail market business* or where the *firm communicates* or *approves financial promotions* which are addressed to, or disseminated in such a way that they are likely to be received by, a *retail customer*. To the extent that ~~*Principle 12*~~ the Consumer Duty applies, *Principles 6* and *7* do not apply.
- 2A.1.4 G The definition of a *product* for the purposes of ~~*Principle 12* and *PRIN 2A*~~ the Consumer Duty includes both products and services.
- 2A.1.5 G The definition of a *retail customer* for the purposes of ~~*Principle 12* and *PRIN 2A*~~ the Consumer Duty includes a prospective customer.
- 2A.1.6 G The ~~rules in *Principle 12* and *PRIN 2A*~~ the Consumer Duty are to be interpreted in accordance with the standard that could reasonably be expected of a prudent *firm* carrying on the same activity in relation to the same *product* and taking appropriate account of the needs and characteristics of *retail customers* as set out in *PRIN 2A.7.1R*. Further guidance about what

can reasonably be expected and the needs and characteristics of *retail customers* is set out at *PRIN 2A.7.2G* to *PRIN 2A.7.5G*.

...

Purpose

- 2A.1.8 G ~~*Principle 12*~~ *The Consumer Duty* reflects a general expectation by the *FCA* that *firms* should conduct their business to a standard which ensures an appropriate level of protection for *retail customers*.

...

- 2A.1.10 G ...

- (2) The main elements of *firms*' conduct obligations under ~~*Principle 12*~~ and ~~*PRIN 2A*~~ *the Consumer Duty* are set out in *PRIN 2A.3* to *PRIN 2A.11*.

...

- 2A.1.11 G ~~*Principle 12*~~ *The Consumer Duty* does not change the nature of a *firm*'s relationship with any given *retail customer*. In particular, it does not create a fiduciary relationship where one would not otherwise exist nor require a *firm* to provide advice or carry out any other *regulated activity* where it would not otherwise have done so.

- 2A.1.12 G The *FCA* has issued guidance on the ~~*Consumer Duty*~~ *Consumer Duty* in FG22/5, which *firms* should read alongside ~~*Principle 12*~~ and ~~*PRIN 2A*~~ as a guide to the *FCA*'s view as to how ~~*Principle 12*~~ and ~~*PRIN 2A*~~ *the Consumer Duty* might be complied with.

Guidance on responsibilities of firms in a product distribution chain

- 2A.1.13 G (1) ~~*Principle 12*~~ *The Consumer Duty* imposes obligations on *firms* towards *retail customers* of *products* irrespective of whether the customer is a *client* of the *firm*.
- (2) This extended application aims to ensure the effectiveness of obligations under ~~*Principle 12*~~ *the Consumer Duty* which may properly relate to activities which determine or materially influence *retail customer* outcomes carried out by a *firm* with whom the *retail customer* is not in a *client relationship*.
- (3) A *firm*'s role in the distribution chain may mean it is unable to determine or materially influence *retail customer* outcomes in connection with the *product*. If so, the *firm* may not be subject to any obligation under ~~*Principle 12*~~ *the Consumer Duty*.

...

- 2A.1.15 G For example, where a *firm's* sole activity that is subject to obligations under
A ~~*Principle 12 the Consumer Duty*~~ is *communicating* or *approving a financial promotion*, the rules and guidance in *PRIN 2A.3* (products and services), *PRIN 2A.4* (price and value), *PRIN 2A.6* (customer support) and *PRIN 2A.11* (sale and purchase of product books) are likely to have limited relevance.

Relevance of guidance about Principles 6 and 7

...

- 2A.1.17 G (1) In general terms, ~~*Principle 12 and PRIN 2A impose the Consumer Duty*~~ imposes a higher and more exacting standard of conduct in relation to a *firm's* activities relative to what *Principles 6* or *7* would have otherwise required. ~~*Principle 12 and PRIN 2A. The Consumer Duty*~~ also ~~have~~ has a broader application in relation to a *firm's* activities relative to *Principles 6* and *7*, with a greater focus on consumer protection outcomes for *retail customers*, including where those *retail customers* do not stand in a *client* relationship with that *firm* in the distribution chain.
- (2) While existing, formal guidance on *Principles 6* and *7* will remain relevant to firms in considering their obligations under ~~*Principle 12 the Consumer Duty*~~, *firms* should also take due account of the inherent limits of such guidance in light of the factors in (1). See also *PRIN 2A.1.3G*.
- (3) To the extent that a *firm* is not acting in accordance with existing guidance on *Principles 6* and *7* and the behaviour would amount to a breach of *Principle 6* or *7* in the event that they had continued to apply, the behaviour is likely to amount to a breach of ~~*Principle 12 the Consumer Duty*~~.
- (4) Where a *firm* is acting in accordance with guidance on *Principles 6* and *7* that should not be relied on alone in considering how to comply with ~~*Principle 12 the Consumer Duty*~~. *Firms* also need to consider all their obligations not only under the *Principles*, but under any other applicable law, including other *FCA rules* ~~such as those expanding upon *Principle 12* as set out in *PRIN 2A*~~.
- 2A.1.18 G The effect of *PRIN 3.2.10R* is that the application of *Principles 6* and *7* is unchanged with respect to a *firm's* activities insofar as they are not subject to ~~*Principle 12 the Consumer Duty*~~.

2A.2 Cross-cutting obligations

Act in good faith

...

- 2A.2.4 G Acting in good faith does not mean a *firm* is prevented from pursuing legitimate commercial interests or seeking a profit, provided it does so in a manner which is compliant with ~~Principle 12 and PRIN 2A~~ the Consumer Duty. Acting in good faith does not require a *firm* to act in a fiduciary capacity where it was not already obliged to do so.

...

2A.3 Consumer Duty: retail customer outcome – products and services

General nature of product governance obligations

- 2A.3.1 G The product governance obligations on *firms* under ~~Principle 12~~ the Consumer Duty are general in nature and should be considered alongside any other legal or regulatory obligations that may apply, for example any marketing restrictions in relation to the *product*.

...

2A.5 Consumer Duty: retail customer outcome on consumer understanding

Application

- 2A.5.1 R (1) Other than *PRIN 2A.5.15R*, this section applies to:
- (a) all *firms* to whom ~~Principle 12 and PRIN 2A~~ apply the Consumer Duty applies, involved in the production, *approval* or distribution of *retail customer* communications, regardless of whether the *firm* has a direct relationship with a *retail customer*, and including where a *firm* produces, *approves* or distributes *financial promotions* or other advertisements, sales-related communications, and post-sale communications (and references to a *firm's* communications or a *firm* communicating are to be read accordingly);

...

- (2) ~~PRIN 2A.5.15R~~ applies to all *firms* to whom ~~Principle 12 and PRIN 2A~~ apply the Consumer Duty applies.

...

2A.6 Consumer Duty: retail customer outcome on consumer support

Application

- 2A.6.1 R (1) Other than in *PRIN 2A.6.6R*, this section applies:
- (a) to all *firms* to whom ~~Principle 12 and PRIN 2A~~ apply the Consumer Duty applies, who are responsible for interacting directly with, and providing support to, *retail customers*, such as through its customer services functions and including where the

firm outsources its interactions with *retail customers* to a third party (in whole or part);

...

- (2) *PRIN 2A.6.6R* applies to all *firms* to whom ~~*Principle 12* and *PRIN 2A*~~ apply the *Consumer Duty* applies.

...

2A.7 General

Expected standards under ~~*Principle 12* and *PRIN 2A*~~ the *Consumer Duty*

- 2A.7.1 R ~~*Principle 12* and the obligations in *PRIN 2A*~~ The *Consumer Duty* must be interpreted in accordance with the standard that could reasonably be expected of a prudent *firm*:

...

...

Protected characteristics and characteristics of vulnerability

...

- 2A.7.5 G (1) *Firms* should be aware that groups of *retail customers* with specific protected characteristics may have, or be more likely to have, characteristics of vulnerability, for example older customers. In addition, where health is a driver of vulnerability it will likely have substantial overlap with the protected characteristic of ‘disability’ under the Equality Act 2010. *Firms* should be mindful of this when considering whether they are compliant with ~~*Principle 12* and *PRIN 2A*~~ the *Consumer Duty* and their obligations under the Equality Act 2010 or equivalent legislation.
- (2) *Firms* should keep themselves appraised of any evidence that may emerge that *retail customers* with specific protected characteristics are more likely to have characteristics of vulnerability. *Firms* should take account of any such evidence when considering whether they are compliant with ~~*Principle 12* and *PRIN 2A*~~ the *Consumer Duty* and their obligations under the Equality Act 2010 or equivalent legislation.

2A.8 Governance and culture

Governance, strategy and policies

- 2A.8.1 R A *firm* must:

- (1) ensure that ~~*Principle 12* and the obligations in this chapter~~ are the *Consumer Duty* is reflected in their strategies, governance, leadership and people policies, including incentives at all levels; and

...

Staff incentives

- 2A.8.2 G A *firm* should not use staff incentives, performance management or remuneration structures in a way that conflicts with their obligations under ~~Principle 12 and PRIN 2A~~ the Consumer Duty. *Firms* should be aware that these structures are capable of causing harm to *retail customers* and should design their structures in a way that is consistent with ensuring good outcomes for *retail customers*.

Governing body report

...

- 2A.8.4 R At least annually, the governing body of a *firm* must:
- ...
- (2) confirm whether it is satisfied that the firm is complying with its obligations under ~~Principle 12 and PRIN 2A~~ the Consumer Duty; and
 - (3) assess whether the *firm's* future business strategy is consistent with its obligations under ~~Principle 12 and PRIN 2A~~ the Consumer Duty.
- 2A.8.5 R When approving the *firm's* report under PRIN 2A.8.4R(1), the governing body of the *firm* must also agree:
- ...
- (3) any amendments to the *firm's* business strategy to ensure that it remains consistent with meeting the *firm's* obligations under ~~Principle 12 and PRIN 2A~~ the Consumer Duty.

2A.9 Monitoring of consumer outcomes

General

- 2A.9.1 R This section sets out the general obligation on *firms* to monitor under ~~Principle 12 and PRIN 2A~~ the Consumer Duty the outcomes that *retail customers* are experiencing from their *products*.

...

Record keeping

- 2A.9.15 G SYSC 3 and SYSC 9 contain high level requirements in relation to record keeping. *Firms* will need to decide, in line with these requirements, what records they need to keep in relation to their obligations under ~~Principle 12, the cross-cutting obligations and the consumer outcomes~~ the Consumer Duty.

Obligation to notify the FCA

...

- 2A.9.17 R A *firm* in a distribution chain must notify the *FCA* if it becomes aware that any other firm in that distribution chain is not or may not be complying with ~~*Principle 12* or *PRIN 2A*~~ the *Consumer Duty*.

...

2A.11 Sale and purchase of product books

...

- 2A.11.2 R (1) Where the *product* book was purchased before 31 July 2023, the *firm* must comply with ~~*Principle 12* and *PRIN 2A*~~ the *Consumer Duty*.

...

- 2A.11.3 G ~~A *firm* that is required to apply *PRIN 2A.3* or *PRIN 2A.4* to a *product* book on a ‘best endeavours’ basis should continue to have regard to the *RPPD* and should read references in the *RPPD* to *Principles 6* and *7* as referring to *Principle 12*. [deleted]~~

- 2A.11.4 R (1) This *rule* applies where a *product* book is sold for the first time after 31 July 2023.
- (2) The *firm* selling the *product* book must provide relevant information to the purchasing *firm* to enable the purchasing firm to comply with ~~*Principle 12* and *PRIN 2A*~~ the *Consumer Duty* from the date of purchase.

...

- (4) The due diligence conducted by the purchasing *firm* must be sufficient to enable the purchasing *firm* to comply with ~~*Principle 12* and *PRIN 2A*~~ the *Consumer Duty* in respect of the *product* book.

...

3 Rules about application

3.1 Who?

...

- 3.1.1A R ~~*PRIN* also applies: to an *electronic money institution*, an *authorised payment institution*, a *small payment institution* or a *registered account information service provider*.~~

- (1) ~~to an *electronic money institution*, an *authorised payment institution*, a *small payment institution* or a *registered account information service provider*; and~~

(2) ~~[deleted]~~

...

- 3.1.8 G The *Principles* will not apply to the extent that they purport to impose an obligation which is inconsistent with requirements which implemented the *Payment Services Directive*, the *Consumer Credit Directive* or the *Electronic Money Directive*. For example, there may be circumstances in which ~~*Principle 12* and *PRIN 2A*~~ the *Consumer Duty* may be limited by the conduct of business obligations derived from the *Payment Services Directive* and the *Electronic Money Directive* and applicable to *payment service providers* and *electronic money issuers* (see Parts 6 and 7 of the *Payment Services Regulations* and Part 5 of the *Electronic Money Regulations*) or derived from the *Consumer Credit Directive* (see, for example, the information requirements in the Consumer Credit (Disclosure of Information) Regulations 2010 (SI 2010/1013)).

...

- 3.1.10 R (1) Only *Principles* 1, 2, 3, 9, and 11, ~~12~~ and *PRIN 2A* and the *Consumer Duty* apply to a *TP UCITS qualifier*, and only with respect to the activities in *PRIN 3.2.2R* (Communication and approval of financial promotions).
- (2) Where ~~*Principle 12* and *PRIN 2A*~~ the *Consumer Duty* does not apply, *Principle 7* also applies to a *TP UCITS qualifier* with respect to the activities in *PRIN 3.2.2R*.

...

- 3.1.12 R ~~*Principle 12* and *PRIN 2A*~~ The *Consumer Duty* only ~~apply~~ applies where a *client* is a *retail customer*, or there is a distribution chain which involves a *retail customer*.

- 3.1.13 R ~~*Principle 12* and *PRIN 2A*~~ apply The *Consumer Duty* applies to:

- (1) a *TP firm*; and
- (2) a *Gibraltar-based firm*.

3.2 What?

- 3.2.1A R *PRIN* (other than ~~*Principle 12* and *PRIN 2A*~~ the *Consumer Duty*) applies with respect to the carrying on of:

...

...

~~*Principle 12* and *PRIN 2A*~~ The *Consumer Duty*: additional application provisions

- 3.2.6 R (1) ~~Principle 12 and PRIN 2A apply~~ The Consumer Duty applies to a firm's retail market business, including in respect of existing products and closed products.
- (2)
- (a) Subject to (b), ~~Principle 12 and PRIN 2A apply~~ the Consumer Duty applies to a firm with respect to the communication or approval of a financial promotion (see PRIN 3.2.2R), but only if the financial promotion is addressed to, or disseminated in such a way that it is likely to be received by, a retail customer.
- (b) ~~Principle 12 and PRIN 2A do~~ The Consumer Duty does not apply to the communication or approval of a financial promotion to the extent that the financial promotion relates to an activity that is excluded from the definition of retail market business by virtue of limbs (1) to (6) of that definition.
- (3) If the firm is a credit union, and except insofar as ~~Principle 12 and PRIN 2A apply~~ the Consumer Duty applies by virtue of (2), then ~~Principle 12 and PRIN 2A do~~ the Consumer Duty does not apply to the following activities:

...

- 3.2.7 R Where ~~Principle 12 and PRIN 2A apply~~ the Consumer Duty applies to the activities of a firm operating in a distribution chain, ~~Principle 12 and PRIN 2A apply~~ it applies only to the extent that the person is responsible in the course of carrying out those activities for determining or materially influencing retail customer outcomes.
- 3.2.8 R Subject to PRIN 3.2.7R, ~~Principle 12 and PRIN 2A do~~ the Consumer Duty does not apply to activities to the extent that those activities are not included in a rule which sets out the scope of protections offered to retail customers by COBS, ICOBS, MCOB, BCOBS, CMC OB, FPCOB, PROD or CONC.

Interaction between ~~Principle 12~~ the Consumer Duty and Principles 6 and 7

- 3.2.10 R Principles 6 and 7 do not apply to a firm's activities to the extent that ~~Principle 12 and PRIN 2A apply~~ the Consumer Duty applies.
- 3.2.11 G Activities to which Principles 6 and 7 rather than ~~Principle 12 and PRIN 2A~~ the Consumer Duty may apply include, for example, services provided to professional clients.
- 3.2.12 G ~~Principle 12 and PRIN 2A have~~ The Consumer Duty has a broader application than Principles 6 and 7, ~~for~~ For example, they apply it applies to firms in the distribution chain ~~for~~ in relation to whom the retail customer may not be a client.

3.3 Where?

Territorial application of the Principles

3.3.1 R

| Principle | Territorial application |
|---|---|
| ... | ... |
| Principle 12 and PRIN 2A <u>The Consumer Duty</u> | apply with respect to activities carried on with <i>retail customers</i> located in the <i>United Kingdom</i> unless another applicable rule or <i>onshored regulation</i> which is relevant to the activity has a different territorial scope, in which case Principle 12 and PRIN 2A apply <u>the Consumer Duty applies</u> with that scope in relation to the activity described in that <i>rule</i> or <i>onshored legislation</i> . |

...

3.4 General

...

Guarantors etc

3.4.3A R ...

- (2) If the *individual* is not a *customer*, they are to be treated as if they were a *customer* for the purposes of *Principles 6 and 7* and as if they were a *retail customer* for the purposes of ~~Principle 12 and PRIN 2A~~ the Consumer Duty.

...

...

TP 1 Transitional provisions

TP 1.1

| | Material to which the transitional provision applies | | Transitional Provision | Transitional Provision: dates in force | Handbook provision: coming into force |
|-----|--|--|------------------------|--|---------------------------------------|
| ... | | | | | |

| | | | | | |
|-----|---|---|---|-----------------------------------|--------------|
| 2. | Principle 12 and PRIN 2A <u>The Consumer Duty</u> | R | Principle 12 and PRIN 2A apply <u>The Consumer Duty applies</u> in relation to <i>ancillary activities</i> or other connected activities in accordance with <i>PRIN 3.2</i> where those activities are carried on after 31 July 2023 regardless of whether the underlying activities were carried on before or after 31 July 2023. | From 31 July 2023 indefinitely | 31 July 2023 |
| 3. | Principle 12 and PRIN 2A <u>The Consumer Duty</u> | G | An example of how <i>PRIN TP 1.1</i> paragraph 2 applies is that a <i>firm</i> which has <i>accepted a deposit</i> prior to 31 July 2023 would be subject to Principle 12 and PRIN 2A <u>the Consumer Duty</u> in respect of customer services or other <i>ancillary activities</i> related to that deposit carried on after 31 July 2023. | From 31 July 2023 indefinitely | 31 July 2023 |
| 4. | Principle 12 and PRIN 2A <u>The Consumer Duty</u> | R | Except to the extent specified in <i>PRIN TP 5</i> and <i>TP 6</i> , the provisions listed in column 2 only apply to a <i>closed product</i> from 31 July 2024. | From 31 July 2023 indefinitely | 31 July 2023 |
| ... | | | | | |
| 6. | <i>PRIN 2A.11.4R</i> | R | Where a <i>firm</i> proposes to sell a book of <i>closed products</i> between 31 July 2023 and 30 July 2024 inclusive: (1) the purchasing <i>firm</i> will only be required to comply with Principle 12 and PRIN 2A <u>the Consumer Duty</u> from 31 July 2024; | From 31 July 2023 to 31 July 2024 | 31 July 2023 |
| | | | ... | | |
| ... | | | | | |

Annex C

Amendments to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)

In this Annex, underlining indicates new text and striking through indicates deleted text.

3 Systems and controls

...

3.2 Areas covered by systems and controls

...

Investment strategy and investment decision making

- 3.2.23 G (1) This *guidance* sets out the *FCA's* expectation on how a *firm* may take into account *ESG financial considerations* and *other financial considerations* and *non-financial matters* as part of its *investment* strategy and *investment* decision making, to demonstrate compliance with *Principles 2, 3, 6 ~~or~~ 8 or 12*.

...

...

4 General organisational requirements

4.1 General requirements

...

Investment strategy and investment decision making of an operator of a personal pension scheme or stakeholder pension scheme

- 4.1.15 G (1) This *guidance* sets out the *FCA's* expectation on how an operator of a *personal pension scheme* or a *stakeholder pension scheme* may take into account *ESG financial considerations* and *other financial considerations* and *non-financial matters* as part of its *investment* strategy or *investment* decision making, to demonstrate compliance with *Principles 2, 3, 6 ~~or~~ 8 or 12*.

...

Annex D

Amendments to the Code of Conduct sourcebook (COCON)

In this Annex, underlining indicates new text and striking through indicates deleted text.

1 Application and purpose

1.1 Application

...

To whom does it apply?

...

- 1.1.5A R The conduct of a member of the *conduct rules staff* of a *firm* is not within the scope of *Rule 6* in *COCON 2.1* (You must act to deliver good outcomes for retail customers):

- (1) unless the corresponding *COCON firm activities* of the *firm* are within the scope of *PRIN 3.1* (Who?) so far as it applies to ~~*Principle 12*~~ the *Consumer Duty*; and
- (2) except to the extent that ~~*Principle 12*~~ the *Consumer Duty* applies to that *firm* under *PRIN 3.1*.

To what conduct does it apply?

...

- 1.1.7C R The conduct of a member of the *conduct rules staff* of a *firm* is not within the scope of *Rule 6* in *COCON 2.1* (You must act to deliver good outcomes for retail customers) unless the corresponding *COCON firm activities* of the *firm* are within the scope of *PRIN 3.2* (What?) so far as it applies to ~~*Principle 12*~~ the *Consumer Duty*.

- 1.1.7D G The effect of *COCON 1.1.7C* is that a *person's* conduct is not within the scope of *Rule 6* in *COCON 2.1* if the related activities of the *firm* fall outside the scope of ~~*Principle 12*~~ the *Consumer Duty*. If ~~*Principle 12*~~ the *Consumer Duty* applies, *Rule 6* in *COCON 2.1* only applies if the conduct is also within the scope of the other relevant *COCON application rules* (although one of the *COCON application rules* (*COCON 1.1.7AR*) does not apply to *Rule 6*).

...

Where does it apply?

...

- 1.1.11C R The conduct of a member of the *conduct rules staff* of a *firm* is not within the scope of *Rule 6* in *COCON 2.1* (You must act to deliver good outcomes for

retail customers) unless the corresponding *COCON* firm activities of the firm are within the scope of *PRIN* 3.3 (Where?) so far as it applies to *Principle 12* the Consumer Duty.

- 1.1.11D R The effect of *COCON* 1.1.8BR and *COCON* 1.1.11CR is that conduct of a member of a firm's conduct rules staff is only within the territorial scope of Rule 6 in *COCON* 2.1 if it is within the scope of *COCON* 1.1.9R to *COCON* 1.1.10R and the corresponding activity of their firm is within the territorial scope of *Principle 12* the Consumer Duty as set out in *PRIN* 3.3.

...

2 Individual conduct rules

...

2.4 The Consumer Duty

...

~~References to Principle 12~~

- 2.4.10 R ~~Any reference in *COCON* to *Principle 12* must be read in accordance with *PRIN* 2A.1.1R and *PRIN* 2A.1.2R (Application) and *PRIN* 2A.2.26R (Interaction between Principle 12 and cross-cutting obligations).~~ [deleted]

...

Annex E

Amendments to the General Provisions (GEN)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2 Interpreting the Handbook

...

2.2 Interpreting the Handbook

...

References to writing

...

- 2.2.15A G ~~An example of a requirement~~ Examples of requirements relevant to whether a communication required by a provision of the *Handbook* to be “in writing” may be made by use of electronic media ~~is the requirement~~ are the requirements to treat *customers* fairly under *Principle 6* and the requirement to act to deliver good outcomes for retail customers under the Consumer Duty.

...

4 Statutory status disclosure

...

4.2 Purpose

...

- 4.2.1B G This chapter builds upon the Consumer Duty, which requires a firm to act to deliver good outcomes for retail customers. It also builds upon *Principle 7* (Communications with clients), which requires a *firm* to pay due regard to the information needs of its *clients*. This assists in the achievement of the *statutory objectives*, including the *FCA’s* strategic objective of ensuring that relevant markets function well and the consumer protection and integrity objectives.

- 4.2.2 G There are other pre-contract information requirements outside this chapter, including:

...

- (8) for *regulated credit agreements*, the pre-contract information requirements in the Consumer Credit (Disclosure of Information)

Regulations 2010 (SI 2010/1013) and in the Consumer Credit (Disclosure of Information) Regulations 2004 (SI 2004/1481); ~~and~~

- (9) for *regulated claims management activities*, the pre-contract information and other requirements in *CMCOB 4.2* and *CMCOB 4.3*; and
- (10) the *Consumer Duty* – in particular, *PRIN 2A.5* (Consumer Duty: retail customer outcome on consumer understanding).

Annex F

Amendments to the Prudential sourcebook for Insurers (INSPRU)

In this Annex, underlining indicates new text and striking through indicates deleted text.

1 Capital resource requirements and technical provisions for insurance business

...

1.2 Mathematical reserves

...

Purpose

1.2.6 G A number of the *rules* in this section require a *firm* to take into account its regulatory ~~duty~~ duties to treat *customers* fairly and deliver good outcomes for retail customers. In this section, references to such a ~~duty~~ duties are to the duty of a *firm* regulated by the *FCA* to pay due regard to the interests of its *customers* and to treat them fairly (see the *FCA's Principle 6* in *PRIN*) and (where applicable) act to deliver good outcomes for retail customers (see the *FCA's Principle 12* in *PRIN*). This duty is These duties are owed to both *policyholders* and potential *policyholders*.

1.2.6A G Some of the rules made by the *FCA* contain references to, or are reliant on, *rules* that are only made by the *PRA*. *Firms* should consider *GEN* 2.2.13AR (cross-references in the *Handbook*) and *GEN* 2.2.23R to *GEN* 2.2.25G (cutover: application of provisions made by both the *FCA* and the *PRA*) when applying these *rules*. In the context of mathematical reserves, the *FCA rules* ensure a *firm* takes into account its regulatory ~~duty~~ duties to treat *customers* fairly and (where applicable) act to deliver good outcomes for retail customers under the Consumer Duty.

...

Methods and assumptions

1.2.10 R In the actuarial valuation under *PRA* Rulebook: Non Solvency II firms: Insurance Company – Mathematical Reserves, 2.1, a *firm* must use methods and prudent assumptions which:

...

- (6) take into account its regulatory duty to treat its *customers* fairly (see *FCA's Principle 6*) and (where applicable) act to deliver good outcomes for retail customers (see the *FCA's Principle 12*); and

...

...

1.5 Internal-contagion risk

...

Separately identify and maintain long term insurance assets

...

1.5.25 G Where the surplus arising from business is shared between *policyholders* and shareholders in different ways for different blocks of business, it may be necessary to maintain a separate fund to ensure that *policyholders* are, and will be, treated fairly and, where applicable, that obligations under the *Consumer Duty* are met. For example, if a proprietary company writes some business on a with-profits basis, this should be written in a *with-profits fund* separate from any business where the surplus arising from that business is wholly owned by shareholders.

1.5.26 G Where a *firm* merges separate funds for different types of business, it will need to ensure that the merger will not result in *policyholders* being treated unfairly and, where applicable, that obligations under the *Consumer Duty* are met. When considering merging the funds, the *firm* should consider the impact on its *PPFM* (see *COBS* 20.3) and on its obligations to notify the *FCA* (see *SUP* 15.3). In particular, a *firm* would need to consider how any *inherited estate* would be managed and how the fund would be run in future, such that *policyholders* are treated fairly.

...

Requirements: property-linked funds

...

1.5.36 R A *firm* must select, allocate and manage the assets to which its *property-linked liabilities* are linked taking into account:

- (1) the *firm's* contractual obligations to holders of property-linked *policies*; and
- (2) its regulatory ~~duty~~ duties to treat *customers* fairly and act in accordance with the *Consumer Duty* (as applicable), including in the way it makes discretionary decisions as to how it selects, allocates and manages assets.

...

7 Individual Capital assessment

...

7.1 Application

...

Consistency with a firm's practice, systems and controls

...

- 7.1.26 G The *ICA* should assume that a *firm* will continue to manage its business having regard to the *PRA*'s and *FCA*'s Principles for Businesses. In particular, a *firm* should take into account how the Principles for Businesses may constrain its prospective management actions, for example, the *FCA*'s Consumer Duty or Principle 6 (~~Treating Customers Fairly~~) (as applicable).

...

Annex G

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

2 Conduct of business obligations

...

2.3 Inducements relating to business other than MiFID, equivalent third country or optional exemption business and insurance-based investment products

...

Guidance on inducements

- 2.3.3 G ~~The obligation of a *firm* to act honestly, fairly and professionally in accordance with the best interests of its *clients* includes both the *client's best interests rule* and the duties under *Principles* 1 (integrity), 2 (skill, care and diligence) and 6 (customers' interests).~~ [deleted]

...

2.3B Inducements and research

...

Conditions relating to the operation of the research payment account

...

- 2.3B.6 G In accordance with *Principle* 7 (communications with clients), a *firm* should inform *clients* in the annual information in COBS 2.3B.5R(2) that they are entitled to request the information set out in COBS 2.3B.20R(1). Doing so will also be relevant to *firms*' obligations under PRIN 2A.5 relating to consumer understanding.

...

6 Information about the firm, its services and remuneration

...

6.1E Platform services: platform charges and using a platform service for advising

Platform service providers: platform charges

...

- 6.1E.2 G A *platform service provider* should pay due regard to its obligations under ~~*Principle 6 (Customers' interests)*~~, ~~*Principle 7 (Communications with clients)*~~ the *Consumer Duty* and the *client's best interests rule*, and ensure that it presents *retail investment products* without bias.
- 6.1E.3 G A *platform service provider* should pay due regard to its obligations under ~~*Principle 6 (Customers' interests)*~~ the *Consumer Duty* and the *client's best interests rule* and not vary its *platform charges* inappropriately according to provider or, for substitutable and competing *retail investment products*, the type of *retail investment product*.

...

Providing additional units or payment in cash to a retail client

...

- 6.1E.12 G If a *platform service provider* passes a share of an annual management charge on to a *retail client* by way of additional *units* or cash, it should pay due regard to its obligations under ~~*Principle 7 (Communications with clients)*~~ the *Consumer Duty*.

...

14 Providing product information to clients

...

14.2 Providing product information to clients

...

Providing additional information to the client

- 14.2.18 G ...

- (2) When a *firm* provides additional information it should:

...

- (c) have regard to the *fair, clear and not misleading rule*, the *client's best interests rule* ~~and~~, *Principles 6 and 7*, and the *Consumer Duty* (as applicable).

...

18 Specialist Regimes

...

18.6A Insurance Special Purpose Vehicles (ISPVs)

...

Communications with clients

...

- 18.6A.7 G For the avoidance of doubt, *COBS* 18.6A.5R and *COBS* 18.6A.6R do not exhaust or restrict the scope of *Principle 7* or the *Consumer Duty* (as applicable).

...

19 Pensions supplementary provisions

19.1 Pension transfers, conversions, and opt-outs

...

Appropriate pension transfer analysis

...

- 19.1.2D G ...
- (2) If a *firm* presents the information in (1) it should, in accordance with ~~*Principle 7*~~ and the *fair, clear and not misleading rule*, do so in a way that is balanced and objective.

...

...

19.1A Abridged advice on pension transfers and pension conversions

...

Guidance about charging for abridged advice

- 19.1A.12 G ...
- (2) A *firm* that charges a *client* twice for what is, in essence, the same service is likely to be acting inconsistently with *Principle 2*, ~~*Principle 6*~~ and *Principle 8* and the *Consumer Duty*. As a result, a *firm* will be expected to offset the *adviser charges* paid by a *retail client* for the provision of *abridged advice* from the amount it would have otherwise charged that *retail client* for the provision of *full pension transfer or conversion advice*.

...

19.4 Open market options

...

Communications about options to access pension savings

- 19.4.15 G A *firm* should ensure that when it makes any communication with a *retail client* concerned with the *client's* options to access their pension savings it has regard to the *fair, clear and not misleading rule*, the *client's best interests rule* and ~~Principles 6 and 7~~ the Consumer Duty. In particular a *firm* should:

...

...

Signposting pensions guidance

...

- 19.4.17 G An example of behaviour by or on behalf of a *firm* that is likely to contravene the *client's best interests rule* or ~~Principle 6~~ the Consumer Duty and may contravene other *Principles* is for a *firm* to actively discourage a *retail client* from using the *pensions guidance*, for example by:

...

...

19.7 Pensions nudge and retirement risk warnings

...

Purpose

- 19.7.5 G (1) This section ~~amplifies~~ contains *rules* and *guidance* that apply in addition to a *firms'* obligations under *Principles 6 and 7*, and the *Consumer Duty* (as applicable), ~~but~~ and therefore does not exhaust or restrict what they require. A *firm* will, in any event, need to ensure that its sales processes are consistent with the *Principles* and other *rules*.
- (2) An example of a behaviour by a *firm* that is likely to contravene ~~Principle 6~~ the Consumer Duty and may contravene other *Principles* is for a *firm* to actively discourage a *retail client* from receiving *pensions guidance*, for example by:

...

...

19.10 Drawdown, investment pathways and cash warnings

...

Preparing for step 3

...

19.10.27 G ...

- (2) This may be the case, for example, if the transfer is required to prevent consumer harm and avoid risking a breach of our *rules*, for example ~~Principle 6~~ the Consumer Duty. This could be the case where the *firm* has determined that the *pathway investment* is no longer an appropriate investment for the *investment pathway* option and the client is likely to suffer harm as a result.

...

19.12 Non-workplace pensions: default options and cash warnings

...

Preparing to offer a default option

...

19.12.22 G ...

- (2) This may be the case, for example, if the transfer is required to prevent consumer harm and avoid risking non-compliance with our *rules*, for example ~~Principle 6~~ the Consumer Duty. This could be the case where *firms* determine that the *default option* no longer meets the applicable product governance requirements in *PROD* and existing clients are likely to suffer harm as a result.

...

...

20 With-profits

...

20.1A The with-profits fund

‘Other liabilities’ in the with-profits fund

- 20.1A.1 R For the purposes of calculating any *with-profits funds surplus* and the *rules* and *guidance* in *COBS* 20, including *COBS* 20.1A.5R, *COBS* 20.1A.6R and *COBS* 20.2.17CR, a *firm* must include the following non-exhaustive list as ‘other liabilities’:

- (1) liabilities arising from its regulatory duty to treat *customers* fairly and, where applicable, to act in accordance with the *Consumer Duty* (where not already included in *technical provisions*); and
- (2) the value of any prospective future transfers out of the *with-profits fund* properly attributable to shareholders in accordance with *COBS* 20.

...

Management of the with-profits fund

20.1A.13 R A *firm*, other than a *non-directive friendly society*, which is subject to contractual terms providing for payments under a capital instrument included in that *insurer's* own funds, must:

- (1) manage any *with-profits fund* so that discretionary benefits under a *with-profits policy* are calculated and paid, disregarding, insofar as is necessary for its *customers* to be treated fairly and (where applicable) act to deliver good outcomes for retail customers under the *Consumer Duty*, any requirements in such contractual terms whether or not they are absolute, contingent or at the discretion of the *firm*; and

...

20.1A.14 G (1) A *firm*, other than a *non-directive friendly society*, is expected to manage its *with-profits fund* so that amounts (whether interest, principal, or other outgoings) payable by the *firm* under a capital instrument included in that *insurer's* own funds (as determined in accordance with the *PRA Rulebook: Solvency II Firms: Own Funds* or *Non-Solvency II firms: Insurance Company – Capital Resources*) do not impact on the *with-profits fund's* assets or on the *firm's* ability to declare and pay under a *with-profits policy* discretionary benefits that are consistent with the *firm's* obligations under *Principle 6* (Customers' interests) and the *Consumer Duty* (as applicable).

...

...

20.2 Treating with-profits policyholders fairly

...

Introduction

...

20.2.1B G ...

- (2) For the avoidance of doubt *COBS* 20.2.1AR does not exhaust or restrict the scope of *Principle 6* or the *Consumer Duty* (as applicable). *Firms* will in any event need to ensure that their operating practices are consistent with *Principle 6* or the *Consumer Duty* (as applicable).

...

- 20.2.2 R Neither *Principle 6* (Customers' interests), the *Consumer Duty*, nor the rules on treating *with-profits* policyholders fairly (*COBS* 20.2) relieve a *firm* of its obligation to deliver each *policyholder's* contractual entitlement.

...

Conditions relevant to distributions

- 20.2.16B G References to distributions in *COBS* 20 includes distributions of distributable profits arising, namely any permanent addition to *policy* benefits made at the *firm's* discretion based on the investment or other experience in the fund or more generally. Distributions include those relating to expected payments for which allowance has been made in the *technical provisions* or to a *firm's* other liabilities arising from its regulatory duty to treat *customers* fairly and (where applicable) act to deliver good outcomes for retail customers under *Consumer Duty*, and not just distributions of any *with-profits* fund surplus.

...

Requirement relating to distribution of an excess surplus

...

- 20.2.22 E (1) If a *with-profits* fund has an *excess surplus*, and to retain that surplus would be a breach of *Principle 6* (Customers' interests) or the relevant parts of the *Consumer Duty*, the *firm* should make a distribution from that *with-profits* fund.
- (2) Compliance with (1) may be relied on as tending to establish compliance with *Principle 6* (Customers' interests) or those relevant parts of the *Consumer Duty*.
- (3) Contravention of (1) may be relied on as tending to establish a contravention of *Principle 6* (Customers' interests) or those relevant parts of the *Consumer Duty*.

...

20.5 With-profits governance

...

Terms of reference of with-profits committee or advisory arrangement

- 20.5.3 R A *firm* must ensure that the *terms of reference* contain, as a minimum, terms having the following effect:
- (1) the role of the *with-profits committee* or advisory arrangement is, as relevant, to assess, report on, and provide clear advice and, where appropriate, recommendations to the *firm's governing body* on:
 - ...
 - (c) whether the *firm* has addressed effectively the conflicting rights and interests of *with-profits policyholders* and other *policyholders* or stakeholders including, if applicable, shareholders, in a way that is consistent with *Principle 6* (treating customers fairly) or the Consumer Duty (as applicable); and
 - ...
 - ...

22 Restrictions on the distribution of certain complex investment products

...

22.5 Restrictions on the retail marketing, distribution and sale of contracts for differences and similar speculative investments

...

Other products

- 22.5.22 G *Firms* that market, distribute or sell *derivatives* with similar features to *restricted speculative investments* (particularly where the *derivatives* are leveraged) to *retail clients*, should have particular regard to how they comply with applicable obligations found elsewhere in the *FCA Handbook*, including, where relevant:
- ...
 - (5) *PRIN*, particularly ~~principles~~ *Principles 1, 2 and 6* and the *Consumer Duty* (as applicable); and
 - ...

...

TP 2 Other Transitional Provisions

| | | | | | |
|-----|-----|-----|-----|-----|-----|
| (1) | (2) | (3) | (4) | (5) | (6) |
|-----|-----|-----|-----|-----|-----|

| | Material to which the transitional provision applies | | Transitional provision | Transitional provision: dates in force | Handbook provisions: coming into force |
|------|--|---|--|--|--|
| ... | | | | | |
| 2.11 | COBS TP 2.9 | G | <p>The <i>rules and guidance</i> on treating with-profits policyholders fairly (<i>COBS</i> 20.2.1 G – <i>COBS</i> 20.2.41 G;) may be contrary to, or inconsistent with, some arrangements that were formally approved by the <i>appropriate regulator</i>, a <i>previous regulator</i> or a court of competent jurisdiction, on or before 20 January 2005. The effect of TP 2.9 is that these <i>rules</i> do not apply to such arrangements if, and to the extent that, it is inconsistent with them.</p> <p>A <i>firm</i> should be mindful, however, that, even if some or all of these <i>rules</i> are disapplied, the <i>firm</i> is still subject to the <i>rules</i> in the rest of the <i>Handbook</i>, including <i>Principle 6</i> or the <i>Consumer Duty</i> (as <u>applicable</u>).</p> | From 1 November 2007 indefinitely | 1 November 2007 |
| ... | | | | | |

Annex H

Amendments to the Insurance: Conduct of Business sourcebook (ICOBS)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

1 Application

...

1 Annex Application (see ICOBS 1.1.2 R)

1

| Part 1: Who? | | | | |
|---|------------------------------------|-----|---|---|
| Modifications to the general application rule according to type of firm | | | | |
| ... | | | | |
| ... | | | | |
| 7 | Gibraltar-based firms and TP firms | | | |
| 7.1 | R | ... | | |
| | | (2) | The provisions specified for the purposes of (1) are: | |
| | | | ... | |
| | | | (c) | ICOB 5.1.3CR(1A), <i>ICOB</i> 6.2.6R, ICOB 6.2.7G, <i>ICOB</i> 6.5.1R(3)(d) and <i>ICOB</i> 6A.6 (Cancellation of automatic renewal); |
| | | | ... | |
| | | | (e) | ... |
| | | | (f) | <u><i>ICOB</i> 5.2.6R, <i>ICOB</i> 5.2.7R and <i>ICOB</i> 5.2.8G.</u> |

...

2 General matters

...

2.3 Inducements

- 2.3.1 G (1) *Principle 8* requires a *firm* to manage conflicts of interest fairly, both between itself and its *customers* and between a *customer* and another

client. This principle extends to soliciting or accepting inducements where this would conflict with a *firm's* duties to its *customers*. A *firm* that offers such inducements should consider whether doing so conflicts with its obligations under:

- (a) *Principles 1 and 6 (to act with integrity), 6 and (to treat customers fairly) and 12 (to act to deliver good outcomes for retail customers); and*

...

...

...

2.7 Customers in financial difficulty

Purpose

...

2.7.2 G The *guidance* complements:

- (1) *Principle 12*, which requires *firms* to act to deliver good outcomes for *retail customers*;
- (2) the obligations in *PRIN 2A (the Consumer Duty)*, including in particular the *rules* in *PRIN 2A.2* (cross-cutting obligations), *PRIN 2A.5* relating to communication, interacting on a one-to-one basis and adapting communication, *PRIN 2A.6* (Consumer Duty: retail customer outcome on consumer support) and expected standards in *PRIN 2A.7*; and
- (3) the *customer's best interests rule*.

However, it is not, and does not seek to be, a complete exposition of all of a *firm's* responsibilities to customers experiencing financial difficulties, nor does it alter, replace or substitute applicable *rules*, *guidance* or law, including those in relation to credit agreements.

...

...

Outcomes firms should aim to achieve

...

2.7.7 G In relation to ~~*Principle 12* and *PRIN 2A (the Consumer Duty)*~~ *the Consumer Duty*, *firms* are reminded of their responsibilities as a *firm* in a product's

distribution chain, including in *PRIN 2A.1.14G*, *PRIN 2A.1.15G* and *PRIN 3.2.7R*.

...

4 Information about the firm, its services and remuneration

4.1 General requirements for insurance intermediaries and insurers

...

Interaction with the customer's best interests rule and ~~Principle 7~~ the Consumer Duty

- 4.1.1A G To comply with the *customer's best interests rule* and ~~Principle 7~~ (Communications with clients) the Consumer Duty, a firm should include consideration of the information needs of the *customer* including:

...

...

5 Identifying client needs and advising

5.1 General

Eligibility to claim benefits: general insurance contracts and pure protection contracts

- 5.1.1 G (1) In line with ~~Principle 6~~ the Consumer Duty, a firm should take reasonable steps to ensure that a *customer* only buys a *policy* under which ~~he is~~ they are eligible to claim benefits.
- (2) If, at any time while *arranging* a *policy*, a firm finds that parts of the cover apply, but others do not, it should inform the *customer* so ~~he~~ they can take an informed decision on whether to buy the *policy*.
- (3) ~~This guidance does not apply to policies arranged as part of a packaged bank account. A firm should consider a customer's eligibility to claim benefits under a policy before the conclusion and throughout the term of a policy, including ensuring that the customer:~~
- (a) meets any qualifying requirements to claim the benefits for the different parts of a policy; and
 - (b) is informed of any changes affecting their eligibility to claim benefits throughout the term of a policy.

Eligibility to claim benefits: ~~payment protection contracts~~

- 5.1.2 R (1) ~~A firm arranging a payment protection contract must: [deleted]~~

- (a) ~~take reasonable steps to ensure that the *customer* only buys a *policy* under which he is eligible to claim benefits; and~~
 - (b) ~~if, at any time while *arranging the policy*, it finds that parts of the cover do not apply, inform the *customer* so he can take an informed decision on whether to buy the *policy*.~~
 - (2) ~~This *rule* does not apply to *payment protection contract* arranged as part of a *packaged bank account*.~~
- 5.1.3 G (1) For a typical *payment protection contract* the reasonable steps required in the first part of the *eligibility rule* are likely to include checking that the *customer* meets any qualifying requirements for different parts of the *policy*. [deleted]
- (2) ~~This *guidance* does not apply to *payment protection contracts* arranged as part of a *packaged bank account*.~~

~~Eligibility to claim benefits: policies arranged as part of a packaged bank account~~

- 5.1.3A R ~~A *firm* arranging *policies* as part of a *packaged bank account* must: [deleted]~~
- (1) ~~take reasonable steps to establish whether the *customer* is eligible to claim each of the benefits under each *policy* included in the *packaged bank account* which must include checking that the *customer* meets any qualifying requirements to claim each of the benefits under each *policy*; and~~
 - (2) ~~inform the *customer* whether or not he would be eligible to claim each of the benefits under each *policy* included in the *packaged bank account* so that the *customer* can take an informed decision about the arrangements proposed.~~
- 5.1.3B R ~~A *firm* must make a record of the eligibility assessment and, if the *customer* proceeds with the arrangements proposed, retain it for a minimum period of three years from the date on which the assessment was undertaken. [deleted]~~
- 5.1.3C R (1) Throughout the term of a *policy* included in a *packaged bank account*, a *firm* must provide the *customer* with an eligibility statement, in writing, on an annual basis. This statement must set out any qualifying requirements to claim each of the benefits under the *policy* and recommend that the *customer* reviews his circumstances and whether he meets these requirements. [deleted]
- (1A) ~~Where any *policy* (except for private health or medical insurance, and pet insurance) included in a *packaged bank account* renews automatically, the statement must include the information the *firm* is required to provide under *ICOB*S 6.2.6R on the right to cancel the automatic *renewal* element of the *policy* at any time.~~

- (2) ~~Where a *customer* has reached an age limit on claiming benefits under a travel insurance *policy* included in a *packaged bank account* (or will reach an age limit before the next annual statement is due), a *firm* must state this clearly and prominently in the statement and on an annual basis thereafter.~~
- (3) The statement (provided under *ICOBS 5.1.3C R (1)*) must not:
 - (a) ~~include any information other than that provided in accordance with this *rule*, *ICOBS 6.1.7 AG(2)*, *ICOBS 6A.4.5R(1)* and *ICOBS 6A.4.7G*; or~~
 - (b) ~~form part of another *document* provided to the *customer* by the *firm*; or~~
 - (c) ~~be included in the same mailing as any other *document* provided to the *customer* by the *firm*.~~

...

5.2 Demands and needs

...

Consideration of value measures information

- 5.2.6 R (1) When distributing a *contract of insurance* which is subject to a reporting requirement within *SUP 16.27* (General insurance value measures reporting), a *firm* must take into account value measures information, within a reasonable period, and consider whether the *contract of insurance* remains in line with the interests, objectives and characteristics of its *customers* within the identified target market and/or may otherwise adversely affect a *customer*.
- (2) Where a *firm* considers that a *contract of insurance* is not in line with the interests, objectives and characteristics of its identified target market or may adversely affect a *customer*, a *firm* must ensure it complies with the *customers best interest rule*, and make changes, as appropriate, to the distribution of those *contracts of insurance* to *customers*.
- 5.2.7 R For the purposes of *ICOBS 5.2.6R*, value measures information includes both:
- (1) the individual value measures data reported to the *FCA* by the *firm*; and
 - (2) the value measures data relating to other *firms* published by the *FCA*.
- 5.2.8 G For the purposes of *ICOBS 5.2.6R*, *firms* are reminded of their obligations under *PROD 4.3.11R*.

5.3 Advised sales

...

Suitability guidance for protection policies

- 5.3.2 G (1) In taking reasonable care to ensure the suitability of advice, ~~on a payment protection contract or a pure protection contract~~ a firm should:
- (a) establish the *customer's* demands and needs by using information readily available to the *firm* and by obtaining further relevant information from the *customer*, including details of existing insurance cover; it need not consider alternatives to *policies* nor *customer* needs that are not relevant to the type of *policy* or policies in which the *customer* is interested;
 - (b) take reasonable care to ensure that a *policy* is suitable for the *customer's* demands and needs, taking into account its level of cover and cost, and relevant exclusions, excesses, limitations and conditions; and
 - (c) inform the *customer* of any demands and needs that are not met.
- (2) ~~This guidance does not apply to payment protection contracts or pure protection contracts included in a packaged bank account. A~~ firm should ensure the suitability of advice in ICOBS 5.3.1R in relation to each *policy* on which the *firm* is advising the *customer*.

~~Suitability of advice on policies included in a packaged bank account~~

- 5.3.2A R ~~In taking reasonable care to ensure the suitability of advice on a policy included in a packaged bank account, a firm must: [deleted]~~
- (1) ~~establish the *customer's* demands and needs by using information readily available to the *firm* and by obtaining further relevant information from the *customer*, including details of existing insurance cover; it need not consider alternatives to *policies* nor *customer* needs that are not relevant to the type of *policy* in which the *customer* is interested;~~

- (2) ~~take reasonable steps to establish whether each *policy* included in the *packaged bank account* is suitable for the *customer's* demands and needs, taking into account its level of cover and cost, and relevant exclusions, excesses, limitations, and conditions;~~
- (3) ~~inform the *customer* of any demands and needs that are not met; and~~
- (4) ~~explain to the *customer* its recommendation and the reasons for the recommendation.~~

5.3.2B R ~~A *firm* must make a record of the suitability assessment, the recommendation given and the reasons for the recommendation and, if the *customer* proceeds with the recommendation, retain it for a minimum period of three years from the date on which the recommendation was made.~~
~~[deleted]~~

...

6 Product information

...

6.1 Providing product information to customers: general

...

Appropriate information regarding medical condition exclusions in travel insurance policies

- 6.1.7-A G (1) This guidance is relevant to a *firm* when it provides a *consumer* with:
- (a) a quotation for a *travel insurance policy*; or
 - (b) ~~a statement (provided under *ICOBS 5.1.3CR(1)*)~~ information regarding a *consumer's* eligibility to claim benefits in *ICOBS 5.1.1G* in respect of a *travel insurance policy* included in a *packaged bank account*.

...

...

Interaction between information provision requirements and the customer's best interests rule and ~~Principle 7~~ the Consumer Duty

- 6.1.11 G To comply with the customer's best interest rule and ~~*Principle 7*~~ (communication with clients) the Consumer Duty, a *firm* should:
- (1) include consideration of the information needs of the *customers* including:

- (a) what they need to understand the relevance of any information provided by the *firm*; and
 - (b) at which point in the sales process will the information be most useful to the *customer* to enable them to make an informed decision;
- (2) provide evidence of cover promptly after inception of a *policy*, taking into account the type of *customer* and the effect of other information requirements, for example, those under the distance communication rules (*ICOBS* 3.1); and
- (3) in relation to a *group policy*, provide appropriate information to the customer, telling the *customer* to pass it on to each *policyholder*.

Under ~~*Principle 7*~~ the *Consumer Duty*, a *firm* should provide evidence of cover promptly after inception of a *policy*. *Firms* will need to take into account the type of *customer* and the effect of other information requirements, for example those under the distance communication rules (*ICOBS* 3.1).

...

6.2 Pre-contract information: general insurance contracts

...

Solvency II Directive derived disclosure requirements

- 6.2.2 R Before a *general insurance contract* is concluded, a *firm* must inform a *customer* who is a natural person of:
- (1) the law applicable to the contract where the parties do not have a free choice, or the fact that the parties are free to choose the law applicable and, in the latter case, the law the *firm* proposes to choose; and
 - (2) the arrangements for handling *policyholders'* complaints concerning contracts including, where appropriate, the existence of a complaints body (usually the *Financial Ombudsman Service*), without prejudice to the *policyholders'* right to take legal proceedings.

6.2.2A R For the avoidance of doubt, *ICOBS* 6.2.2R applies to a *payment protection contract* with elements of a *general insurance contract*.

[**Note:** article 183(1) to (2) of the *Solvency II Directive*]

...

Auto-renewal

...

- 6.2.7 G ~~In the case of a *packaged bank account* *ICOBS 5.1.3CR(1A)* provides that the information required by *ICOBS 6.2.6R* should be provided in the eligibility statement. [deleted]~~

...

6.4 Pre- and post-contract information: protection policies

Application: what?

- 6.4.1 R This section applies in relation to ~~a *payment protection contract* or a *pure protection contract*~~ except as otherwise stated.

...

~~Complaints and compensation information~~

- 6.4.4A R ~~In relation to a *payment protection contract*, a firm must provide a consumer with information about: [deleted]~~

- (1) ~~how the consumer can complain to the *insurance undertaking* and that complaints may subsequently be referred to the *Financial Ombudsman Service* (or other applicable named complaints scheme); and~~
- (2) ~~the consumer's entitlement to compensation from the *compensation scheme* (or other applicable compensation scheme), or that there is no compensation scheme, in the event where the *insurance undertaking* is unable to meet its liabilities;~~

~~in good time before the conclusion of the *policy*.~~

~~Payment protection contracts: importance of reading documentation~~

- 6.4.5 R (1) ~~A firm must draw a consumer's attention to the importance of reading *payment protection contract* documentation before the end of the cancellation period to check that the *policy* is suitable for the consumer. [deleted]~~
- (2) ~~This must be done orally if a firm provides information orally on any main characteristic of a *policy*.~~

...

Price information: policies sold in connection with revolving credit arrangements

- 6.4.10 G (1) ...
- (2) Price information should be given in a way calculated to enable a typical *customer* to understand the typical cumulative cost of taking

out the *policy*. This does not require oral disclosure where there is a sales dialogue with a *customer*. However, consistent with *Principle 7 the Consumer Duty*, a *firm* should ensure that this element of price information is not undermined by any information given orally.

...

6 Annex 2 Policy summary (pure protection contracts and / or commercial customers)

This annex belongs to *ICOBS 6.1.7AG* and *ICOBS 6.4.4 R*

| | | |
|-----|---------|--|
| ... | | |
| 2 | Content | |
| ... | | |
| 2.2 | G | A <i>policy summary</i> should properly describe the <i>policy</i> but, in line with <i>Principle 7</i> and the <i>Consumer Duty</i> (as applicable), should not overload the <i>consumer</i> with detail. |
| ... | | |

...

6A Product specific rules

...

6A.4 Travel insurance and medical conditions

...

Content of communication

6A.4.7 G (1) When describing the purpose and potential benefits of accessing the *medical cover firm directory*, the communication provided to consumers pursuant to *ICOBS 6A.4.5R* should:

...

- (c) otherwise be the result of careful consideration by the *firm* of *consumer* needs and expectations in light of the requirements of relevant *principles* and *rules*, including *Principles 6, 7 and 8*.

...

...

Exception: consumer has already accessed the medical cover firm directory

...

- 6A.4.12 G (1) Whether a *firm* has responsibility for communicating with the *consumer* under this section will depend on the *rules* in this sourcebook applicable to the relevant circumstances, and the language of relevant provisions in this section should be construed accordingly. See, for example, ~~ICOBS 5.1.3CR (Packaged bank accounts)~~, ~~ICOBS 6.-1R~~ (Producing and providing product information), *ICOBS 6.1* (Providing product information to customers) and *ICOBS 6.5* (Renewals).

...

Assessment of medical condition risk

- 6A.4.13 G (1) *Firms* should assess the risk associated with medical conditions and calculate *medical condition premiums* by reference to reliable information that is relevant to the assessment of the risk. *Firms* which do not do this may communicate unclear, unfair or misleading price information to *consumers* and so risk breaching *Principles 2, 6 and/or 7 the Consumer Duty*, and *ICOBS 2.2.2R* and/or *ICOBS 2.5.-1R*. *Firms* also need to consider their obligations under the *Equality Act 2010* and anti-discrimination legislation in Northern Ireland.

...

6A.5 Retail premium finance: disclosure and remuneration

...

Premium finance related remuneration

...

- 6A.5.6 G (1) *Firms* are reminded of their obligations elsewhere in the *FCA Handbook* including:
- (a) *Principles 1, and 6 and the Consumer Duty* to act with integrity, ~~and~~ treat customers fairly and act to deliver good outcomes for retail customers;

...

...

...

6A.6 Cancellation of automatic renewal

...

Purpose

- 6A.6.2 G The purpose of this section is to support ~~Treating Customers Fairly outcome 6~~ “~~Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint~~” the Consumer Duty, including the requirement to avoid causing foreseeable harm (*PRIN 2A.2.8R*) and the expectation that consumers do not face unreasonable barriers when they want to switch (*PRIN 2A.2.10G(5)(iii)*), by making it easier for *consumers* who wish to prevent their *policy* from automatically *renewing* to cancel this feature of their *policy*.

...

6B Home insurance and motor insurance pricing

...

6B.2 Setting renewal prices

...

Incentives

...

- 6B.2.15 G *Firms* are reminded that ~~Principle 7~~ the Consumer Duty and *ICOBS 2.2.2R* apply to the communication of incentives in the same way as they apply to all communications with their *customers*. *Firms* should present incentives in a way that makes clear both the overall price of the product, not including the incentive, and (if different) the price the *customer* will actually pay.

...

Records

...

- 6B.2.57 R ~~The records compiled by the firm in accordance with *ICOBS 6B.2.51R* to *ICOBS 6B.2.53R* must be provided as soon as reasonably practicable after the record is prepared or updated to the person responsible for the attestation in *ICOBS 6B.2.60R*, and to the FCA on request. [deleted]~~

...

Sch 1 Record keeping requirements

| | | | | |
|-----------------------------|--------------------------------------|---|--------------------------------|---------|
| ... | | | | |
| <i>ICOBS</i> 5.1.3B R | Eligibility | Details of whether the <i>customer</i> is eligible to claim each of the benefits under each <i>policy</i> included in the <i>packaged bank account</i> | Date of eligibility assessment | 3 years |
| <i>ICOBS</i> 5.3.2B R | Suitability and recommendation given | Details of whether each <i>policy</i> included in the <i>packaged bank account</i> is suitable for the <i>customer's</i> demand and needs, the recommendation given and the reasons for the recommendation | Date of recommendation | 3 years |
| ... | | | | |

Annex I

Amendments to the Mortgages and Home Finance: Conduct of Business sourcebook (MCOB)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2 Conduct of business standards: general

...

2.3 Inducements: regulated mortgage contracts, home reversion plans and regulated sale and rent back agreements

Purpose

- 2.3.1 G The purpose of *MCOB* 2.3 is to ensure, in accordance with *Principles* 1, 6 ~~and 8~~ and the *Consumer Duty* (as applicable), that a *firm* does not conduct business under arrangements that might give rise to a conflict with its duty to *customers*, ~~or to unfair treatment of them, or to the delivery of outcomes that are not good for them.~~

...

2.4 High pressure sales: regulated mortgage contracts, home reversion plans and regulated sale and rent back agreements

...

~~Fair treatment~~ Customers' interests

- 2.4.2 G (1) *Principle* 6 (Customers' interests) ~~requires that a *firm* must pay due regard to the interests of its *customers* and treat them fairly. This and~~ the *Consumer Duty* (as applicable) in this context means, for example, that a *firm* should avoid selling practices that commit *customers* (or lead *customers* to believe that they are committed) to any *regulated mortgage contract* or *home reversion plan* before they have been able to consider the *illustration* and *offer document*. One such practice might be to present a new *customer* with an *illustration*, *offer document* and mortgage deed at one time and to require the mortgage deed to be signed on the same occasion (when there is no urgent need to do so).

...

Information

- 2.4.3 G *Principle* 7 (Communications with clients) and the *Consumer Duty* (as applicable) requires that a *firm* must pay due regard to the information needs of its *clients*, and communicate information to them in a way which is clear, fair and not misleading. This means, for example, that a *firm* should avoid

giving any *customer* a false impression about the availability of a *regulated mortgage contract*, *home reversion plan* or *regulated sale and rent back agreement*, such as describing it as a ‘special offer’ not available after a certain date unless this is really the case.

...

2.6 Exclusion of liability

Purpose

- 2.6.1 G ~~In accordance with Principle 6 (Customers’ interests) requires a firm to pay due regard to the interests of its customers and treat them fairly. A firm and the Consumer Duty (as applicable),~~ may not exclude the duties it owes or the liabilities it has to a *customer* under the *regulatory system*. It may exclude other duties and liabilities only if it is reasonable for it to do so.

...

2.6A Protecting customer’s interests: regulated mortgage contracts, home purchase plans, home reversion plans and regulated sale and rent back agreements

...

Protecting customers’ interests under regulated sale and rent back agreements: security of tenure

...

- 2.6A.5C G In the light of *MCOB 2.6A.5BR(1)(c)*, and in accordance with *Principle 6* and the *Consumer Duty* (as applicable), a *firm* should not seek to prevent a tenant in Northern Ireland from ending the tenancy on less than the agreed notice period (not exceeding three months in accordance with *MCOB 2.6A.5BR(1)(c)*), where the notice is given in the first six months of the tenancy.

...

3A Financial promotions and communications with customers

3A.1 Application and purpose

...

Other relevant provisions

- 3A.1.11 G *Firms* are reminded that *financial promotions* (including those which are exempt) may be subject to more general *rules*, including *Principle 7* (Communications with clients) and the Consumer Duty (as applicable), *SYSC 3* to *SYSC 10* (Systems and controls), and *MCOB 3A.2.4R* (Fair, clear and not misleading communications).

...

Principles 6, ~~and~~ 7, and the Consumer Duty

- 3A.1.17 G This chapter ~~amplifies~~, for activities within its scope, contains rules and guidance that apply in addition to firms' obligations under Principle 6 (Customers' interests), and Principle 7 (Communications with clients) and the Consumer Duty (as applicable).

3A.2 The fair, clear and not misleading rules

Fair, clear and not misleading communications

...

- 3A.2.2 G The purpose of MCOB 3A.2.1R is to restate, in a slightly amended form and as a separate *rule*, the part of *Principle 7 (Communications with clients)* and the Consumer Duty (as applicable) that relates to communication of information.

...

4 Advising and selling standards

...

4.2 Purpose

- 4.2.1 G (1) This chapter ~~amplifies~~ contains rules and guidance that apply in addition to firms' obligations under Principle 6 (Customers' interests), Principle 7 (Communications with clients) and, Principle 9 (Customers: relationships of trust), and the Consumer Duty (as applicable).

...

4.4A Initial disclosure requirements

...

Range of products

...

- 4.4A.7 G ...
- (2) *Firms* are also reminded that *Principle 7 (Communications with clients)*, the Consumer Duty (as applicable) and MCOB 3A.2.1R (Fair, clear and not misleading communications) are also relevant to how they describe their services, including in any business name they adopt. For example, a *firm* should not call itself an

“independent mortgage adviser” unless its product range across the relevant market is unlimited.

...

...

Timing of initial disclosure in all cases

...

- 4.4A.14 G *Principle 7, the Consumer Duty (as applicable)* and *MCOB 3A.2.1R* also mean that, if initial disclosure has been given but any of the information in it (for example the basis on which the *firm* will be remunerated) subsequently changes, the *firm* should bring this clearly to the *customer’s* attention.

...

4.8A Execution-only sales

...

Exception: rate switches and other variations

...

4.8A.11 G ...

- (5) *Firms* are reminded of *Principles 6 and 7* and the *Consumer Duty (as applicable)*: ~~that is, that they must pay due regard to the best interests of their *customers* and treat them fairly; and that they must pay due regard to the information needs of their *clients*, and communicate information to them in a way which is clear, fair and not misleading.~~ Where features of a product have changed in such a way that the product is in effect no longer recognisable as the same product, *firms* should re-present the new list of products. Similarly, *firms* should re-present the new list of products where there is any change to interest rates, fees or other charges which is likely to be material to the *customer’s* decision as to whether or how to vary a *regulated mortgage contract*.

...

5 Pre-application disclosure

...

5.2 Purpose

- 5.2.1 G (1) *MCOB 5 ~~amplifies~~ contains rules and guidance that apply in addition to firms' obligations under Principle 6 and, Principle 7 and the Consumer Duty (as applicable).*

...

...

5.9 Pre-sale disclosure for regulated sale and rent back agreements

...

Initial disclosure information to unauthorised SRB agreement providers

...

- 5.9.5 G *A person may enter into a regulated sale and rent back agreement as agreement provider without being regulated by the FCA (or an exempt person) if the person does not do so by way of business. However, a SRB intermediary should at all times be conscious of its obligations under ~~Principle 6 (Customers' interests)~~ the Consumer Duty. Should the firm have any reason to believe or entertain any suspicions that the SRB agreement seller may be proposing to enter into a regulated sale and rent back agreement with an unauthorised SRB agreement provider notwithstanding that the provider appears to be doing so by way of business and therefore appears to require authorisation under the Act, the firm should warn the seller that ~~he~~ they should not be proceeding with the transaction.*

...

5A MCD Pre-application disclosure

5A.1 Application and purpose

...

- 5A.1.2 G (1) *MCOB 5A ~~amplifies~~ contains rules and guidance that apply in addition to firms' obligations under Principle 6 and, Principle 7 and the Consumer Duty (as applicable).*

...

...

6 Disclosure at the offer stage

...

6.2 Purpose

- 6.2.1 G (1) *MCOB 6 ~~amplifies~~ contains rules and guidance that apply in addition to firms' obligations under Principle 6 ~~and~~, Principle 7 and the Consumer Duty (as applicable). The purpose of MCOB 6 is to ensure that a customer receives a clear offer document to enable ~~him~~ them to check the features and price of the home finance transaction before ~~he enters~~ they enter into it. The offer document should include an updated and suitably adapted illustration (for a regulated mortgage contract) or financial information statement (for a home purchase plan) so that the customer can compare it with the one ~~he~~ they received before ~~they~~ ~~he~~ applied for the home finance transaction.*

...

...

6.8 Home purchase plans

Offer document

...

- 6.8.3 G *A firm should bear in mind its obligations under Principle 6 and the Consumer Duty (as applicable). For example, if a firm knows that its interest in a home purchase plan will be assigned and the firm will no longer be responsible for setting rental payments and charges, the offer document should state this fact and who will become responsible after the assignment (if this is not known at the offer stage the customer should be notified as soon as it becomes known).*

...

6A MCD disclosure at the offer stage

6A.1 Application and purpose

...

- 6A.1.3 *MCOB 6A ~~amplifies~~ contains rules and guidance that apply in addition to firms' obligations under Principle 6 ~~and~~, Principle 7 and the Consumer Duty (as applicable). The purpose of MCOB 6A is to ensure that a customer receives a clear offer document to enable them to check the features and price of the MCD regulated mortgage contract before they enter into it.*

...

7 Disclosure at start of contract and after sale

...

7.2 Purpose

- 7.2.1 G (1) This chapter ~~amplifies~~ contains *rules* and *guidance* that apply in addition to *firms'* obligations under *Principle 6* ~~and~~, *Principle 7* and the *Consumer Duty* (as applicable).

...

...

7.8 Home purchase plans

...

Event-driven information

- 7.8.7 G When a post-sale variation of the *home purchase plan* is proposed or takes place, a *firm* should have regard to the *Principles* (in particular, *Principles 6* ~~and~~, *7* and the *Consumer Duty* (as applicable)) in determining the action it should take and what information to provide to the *customer*.

...

8 Equity release: advising and selling standard

...

8.2 Purpose

...

- 8.2.2 G (1) This chapter ~~amplifies~~ contains *rules* and *guidance* that apply in addition to *firms'* obligations under *Principle 6* (Customers' interests), *Principle 7* (Communications with clients) ~~and~~, *Principle 9* (Customers: relationships of trust) and the *Consumer Duty* (as applicable).

...

...

11 Responsible lending, and responsible financing of home purchase plans

...

11.5 Purpose

- 11.5.1 G (1) This chapter requires a *firm* to treat *customers* fairly and act in accordance with the *Consumer Duty* (as applicable) by assessing, before deciding to:
- (a) enter into a regulated mortgage contract or home purchase plan; or

(b) vary a *regulated mortgage contract* or *home purchase plan*;

whether the *customer* will be able to repay the sums borrowed and interest (in the case of a *regulated mortgage contract*) or pay the sums due (in the case of a *home purchase plan*).

...

11.6 Responsible lending and financing

...

The assessment of affordability

...

11.6.3 R ...

- (6) *MCOB 11.6.2R* does not apply to a variation to the terms of a *regulated mortgage contract* or *home purchase plan* which reduces its term. A *firm* must consider affordability in line with ~~*Principle 12 (Consumer Duty)*~~ and ~~*PRIN 2A*~~ the *Consumer Duty* and its responsible lending policy.

...

Entering into interest-only mortgages

...

11.6.44 G *Firms* are reminded that whether it is appropriate to take the action contemplated by *MCOB 11.6.43R* will depend on all the circumstances of the particular case and must be considered having regard to, among other things, *Principle 6*, (as applicable) the *Consumer Duty* and the *rules* in *MCOB 13*.

...

Interest-only policy

...

11.6.51 G ...

- (2) The policy and procedures for safeguarding the interests of a *customer* under an *interest-only mortgage* should not permit the *mortgage lender* to change the *interest-only mortgage* to a *repayment mortgage*, extend the term or otherwise change the features of the *interest-only mortgage* unless to do so is compatible with the duties of the *mortgage lender* under *Principle 6*, (where applicable) the *Consumer Duty* and any other applicable *rules* and regulations, including those relating to *arrears* or *payment shortfall*.

A mortgage lender should also have regard to the CRA when drafting the provisions of regulated mortgage contracts in relation to changes to their features.

...

11.7 Transitional arrangements

...

- 11.7.4 G In accordance with its ~~obligation~~ obligations under *Principle 6* ~~to treat its customers fairly~~ and the *Consumer Duty* (as applicable), a firm should not treat a *customer* with whom it *enters into* or varies a *regulated mortgage contract* or *home purchase plan* pursuant to this section 11.7 less favourably than it would treat other *customers* with similar characteristics, for example by offering less favourable interest rates or other terms.

...

11.8 Customers unable to change regulated mortgage contract, home purchase plan or provider

- 11.8.1 E Where a *customer* is unable to:
- (1) enter into a new *regulated mortgage contract* or home purchase plan or vary the terms of an existing *regulated mortgage contract* or *home purchase plan* with the existing *mortgage lender* or *home purchase provider*; or
 - (2) enter into a new *regulated mortgage contract* or *home purchase plan* with a new *mortgage lender* or *home purchase provider*;
- the existing *mortgage lender* or *home purchase provider* should not (for example, by offering less favourable interest rates or other terms) take advantage of the *customer's* situation or treat the *customer* any less favourably than it would treat other *customers* with similar characteristics. To do so may be relied on as tending to show contravention of *Principle 6* (Customers' interests) or the *Consumer Duty* (as applicable).

11.9 Remortgaging with the same or a different lender with no additional borrowing

Application and purpose

...

- 11.9.3 G ...
- (2) This section permits *firms* to choose to modify certain provisions when assessing a *customer's* ability to afford a mortgage. The provisions capable of modification are grouped (such as the provisions linked to the assessment of income and expenditure).

Firms can choose whether to adopt all, some, or none of the modifications in this section, on a case-by-case basis (though they cannot modify some provisions in a group and not others). We expect *firms* to have regard to ~~Principle 12 and PRIN 2A (The Consumer Duty)~~ the Consumer Duty and not unfairly apply *rules* in one case but not another where the *customers'* circumstances are otherwise the same.

...

...

Internal switching policy

...

- 11.9.13 E If a *firm* has an internal switching policy but does not, without good reason:
- (1) permit an eligible *customer* to enter into a more affordable *regulated mortgage contract*; or
 - (2) apply MCOB 11.6.3R or MCOB 11.7 (if relevant) or such of the rules in this section as may be necessary to enable that *customer* to enter into the more affordable *regulated mortgage contract*;

this may be relied on as tending to show contravention of ~~Principle 12 and PRIN 2A (the Consumer Duty)~~ the Consumer Duty.

...

12 Charges

...

12.2 Purpose

- 12.2.1 G (1) ~~Principle 6 requires a firm to pay due regard to the interests of its customers and treat them fairly~~ *Firms* are reminded of their obligations under Principle 6 and the Consumer Duty (as applicable). A *firm* is also under an obligation, as a consequence of this sourcebook's disclosure requirements, to make charges transparent to *customers*. This chapter reinforces these requirements by preventing a *firm* from imposing unfair and excessive charges.

...

...

12.7 Home purchase plans

Who?

- 12.7.1 G The *FCA* believes that *Principle 7* and the *Consumer Duty* (as applicable) ~~requires~~ require charges imposed by a *firm* on customers to be transparent and that imposing unfair or excessive charges is inconsistent with *Principle 6* and the *Consumer Duty* (as applicable).

...

...

13 Payment difficulties and repossessions: regulated mortgage contracts and home purchase plans

...

13.3 Dealing fairly with customers: policy and procedures

...

Expired term customers

...

- 13.3.8B G In complying with *MCOB* 13.3.8AR, a *firm* should consider, given the individual circumstances of a *customer*, what actions, if any, it is appropriate to take in respect of the *customer* and the *regulated mortgage contract*. This includes having regard to its obligations under ~~*Principle 12* and *PRIN 2A* (the *Consumer Duty*)~~ the *Consumer Duty*.

...

Annex J

Amendments to the Banking: Conduct of Business sourcebook (BCOBS)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2 Communications and financial promotions

2.1 Purpose and Application: Who and what?

- 2.1.1 G ~~*Principle 6* requires a *firm* to pay due regard to the interests of its *customers* and treat them fairly. *Principle 7* requires a *firm* to pay due regard to the information needs of its *clients* and communicate information to them in a way which is clear, fair and not misleading.~~ The *Consumer Duty* requires a *firm* to act to deliver good outcomes for *retail customers*, in accordance with the relevant obligations in *PRIN 2A*. *PRIN 2A.5.3R(1)(c)* also requires *firms*' communications to equip *retail customers* to make decisions that are effective. ~~*Principles 6 and 7*~~ The *Consumer Duty* also ~~apply~~ applies to an *electronic money institution*, a *payment institution* and a *registered account information service provider* with respect to provision of *payment services* and the issuance of *electronic money*. This chapter reinforces these requirements by requiring a *firm* and these other providers to pay regard to the information needs of *banking customers*, *payment service customers* and *electronic money customers* when communicating with, or making a *financial promotion* or a *payment service* or *electronic money promotion* to, them and to communicate information in a way that is clear, fair and not misleading.

...

5 Post sale

5.1 Post sale requirements

Service

...

- 5.1.2 G In determining the order in which to process payment instructions in relation to the *retail banking service*, a *firm* must have regard to its ~~obligation to treat *banking customers* fairly~~ obligations under the *Consumer Duty*.

...

Set-off

- 5.1.3A G To ensure compliance with its obligations under *BCOBS 5.1.1R* and ~~*Principle 6*~~, the *Consumer Duty* on any occasion where it proposes to exercise a *right of set-off*, a *firm* (other than a *credit union*) should, with respect to its dealings with *consumers*:

...

- 5.1.3B G (1) If it becomes apparent to a *firm* after it has exercised a *right of set-off* that it has set off or combined a debt due from, or a debit balance on an account held by, a *consumer* against or with:
- ...
- (2) If, in the circumstances referred to in (1), the *firm* does not provide a refund of the sum debited from the account in exercise of the *right of set-off*, the *firm* should be able to justify that it is fair not to do so and should consider taking other remedial action having regard to its obligations under *BCOBS* 5.1.1R and ~~*Principle 6*~~ the *Consumer Duty*.

Dealings with customers in financial difficulty

- 5.1.4 G ~~*Principle 6*~~ The *Consumer Duty* requires a *firm* to pay due regard to the interests of its customers and to treat them fairly act to deliver good outcomes for retail customers. In particular, a *firm* should ~~deal fairly with~~ act to deliver good outcomes for a *banking customer* whom it has reason to believe is in financial difficulty.

...

Annex K

Amendments to the Claims Management: Conduct of Business sourcebook (CMCOB)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2 Conduct of business

...

2.2 Generating, obtaining and passing on leads

- 2.2.1 G (1) The *Principles* (in particular ~~*Principle 6*~~ and ~~*Principle 7*~~ the *Consumer Duty*) apply to actions of a *firm* dealing with a *claim* or a *customer* whose details the *firm* has obtained from a *lead generator*. For example, where there is a possibility that the *lead generator* is using misleading information, advice or actions to obtain a *customer's* personal data, acting on those sales leads could amount to a breach by the *firm* of ~~*Principle 6*~~ and ~~*Principle 7*~~ the *Consumer Duty*.

...

...

3 Financial promotions and communications with customers

3.1 Application

...

- 3.1.2 G (1) In accordance with ~~*Principle 7*~~ the *Consumer Duty*, a *firm's financial promotions* and communications with its *customers* should be fair, clear and not misleading.

...

...

5 Fee caps for regulated claims management activities

...

5.2 Fee restrictions for financial services and financial product claims other than payment protection insurance claims

...

Statutory context and purpose

- 5.2.3 G ...

- (4) *Firms* are reminded of their obligations ~~to treat customers fairly under PRIN 2.1.1R(6) (Customers' interests)~~ under the Consumer Duty to act to deliver good outcomes for retail customers and under CMC OB 2.1.1R (client's best interests rule) which also apply where this section applies. Accordingly, as well as complying with the *rules* in this section, *firms* should ensure that their fees comply with ~~PRIN 2.1.1R(6)~~ the Consumer Duty and the *client's best interests rule*.

...

...

Guidance on the application of the FS claims management fee cap: activities which are not covered by the cap

5.2.7 G ...

- (3) *Firms* are reminded of their obligations under:

...

- (d) ~~PRIN 2.1.1R(6) (Customers' interests)~~ the Consumer Duty and CMC OB 2.1.1R (*client's best interests rule*).

...

...

Annex L

Amendments to the Funeral Plan: Conduct of Business sourcebook (FPCOB)

In this Annex, underlining indicates new text and striking through indicates deleted text.

1 Application and purpose

...

1.2 General application: who? what? where?

...

Customers and covered individuals

...

1.2.13 G Where the *rules* in this sourcebook require a *firm* to disclose information to a *customer*, the *firm* should also consider:

- (1) whether it should disclose the same information to the *covered individual* (where different from the *customer*) in accordance with its obligations under ~~*Principle 7*~~ the *Consumer Duty*; and

...

...

2 General matters

...

2.2 Inducements

2.2.1 G (1) *Principle 8* requires a *firm* to manage conflicts of interest fairly, both between itself and its *customers* and between a *customer* and another *client*. This principle extends to soliciting or accepting inducements where this would conflict with a *firm's* duties to its *customers*. A *firm* that offers such inducements should consider whether doing so conflicts with its obligations under:

- (a) ~~*Principles 1 and 6*~~ (to act with integrity) ~~and~~ 6 (to treat *customers* fairly) and 12 (to act to deliver good outcomes for *retail customers*); and

...

...

2.3 Customers with a payment shortfall

...

Purpose

- 2.3.3 G This section ~~amplifies Principle 6 (Customers' interests)~~ contains rules and guidance that apply in addition to firms' Consumer Duty obligations in respect of the information and service that *firms* should provide to *customers* who have payment difficulties or shortfalls.

...

6 Information about the firm and its services

6.1 General requirements for firms

...

Interaction with the customer's best interests rule and ~~Principle 7~~ the Consumer Duty

- 6.1.2 G To comply with the *customer's best interests rule* and ~~Principle 7 (Communications with clients)~~ and the Consumer Duty, a *firm* should consider the information needs of the *customer* and, if different, the *covered individual*, including:

...

...

11 Fees

11.1 Application and purpose

...

Purpose

- 11.1.2 G ~~Principle 6 requires a firm to pay due regard to the interests of its customers and treat them fairly~~ The Consumer Duty requires a firm to act to deliver good outcomes for retail customers. A *firm* is also under an obligation to comply with the *customer's best interests rule* and, as a consequence of this sourcebook's *customer* communication requirements, to communicate information to *customers* in a clear, fair and not misleading way. This chapter reinforces these requirements by preventing a *firm* from imposing *fees* which amount to profit.

...

Annex M

Amendments to the Pensions Dashboards: Conduct of Business sourcebook (PDCOB)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2 General principles

...

2.4 Inducements

...

2.4.2 G (1) *Principle 8* requires a *firm* to manage conflicts of interest fairly, both between itself and its *customers* and between a *customer* and another *customer*. This principle extends to soliciting or accepting inducements where this would conflict with a *firm*'s duties to its *customers*. A *firm* that offers or accepts such inducements should consider whether doing so conflicts with its obligations under:

- (a) *Principle 1* to act with integrity;
- (b) ~~*Principle 12* to act to deliver good outcomes for retail customers~~ the Consumer Duty; or
- (c) the *customer's best interests rule*.

...

...

4 Communications: general principles applying to all communications

...

4.3 General principles applicable to communications: additional requirements including comprehensibility, prominence and notification of changes

...

4.3.5 G The *rules* in this sourcebook regarding communications to *customers* do not prescribe the exact wording or formatting of the communications. To comply with the *customer's best interests rule*, ~~*Principle 12*~~ the Consumer Duty and the *rules* in relation to general communications in this sourcebook, a *firm* should consider the information needs of, and seek to make general communications appropriate and comprehensible for, a *customer* in their target market, including:

...

...

8 Choice architecture

...

8.4 Exit communications requirements

...

- 8.4.2 G *Firms* should determine the design, form, language and delivery of the exit communications in *PDCOB* 8.4.1R and are reminded of their obligations under ~~*Principle 12*~~ the Consumer Duty and, in particular, the retail customer outcome on consumer understanding in *PRIN* 2A.5.

...

8.5 Presentation of the choice architecture

...

- 8.5.4 G *Firms* are reminded of their obligations under ~~*Principle 12*~~ the Consumer Duty in relation to the consumer understanding outcome and communications to *retail customers*, in particular:

...

- 8.5.5 G *Firms* are reminded they must comply with the requirements of ~~*Principle 12*~~ the Consumer Duty on *product* design and *product* testing. In particular, *firms* are reminded of the requirements in *PRIN* 2A.3.4R, *PRIN* 2A.3.9R and *PRIN* 2A.3.10R, and should assess whether the presentation of the choice architecture:

...

...

12 Post-view services

...

12.4 Specific fees restrictions in relation to post-view services

...

- 12.4.4 G A *firm* which charges for a *post-view service* is reminded of its obligations under ~~*Principle 12*~~ the Consumer Duty. In particular, a *firm* which charges for a *post-view service* should be satisfied that their fair value obligations under *PRIN* 2A.4, the *retail customer* outcome on price and value, are met.

Annex N

Amendments to the Client Assets sourcebook (CASS)

In this Annex, underlining indicates new text and striking through indicates deleted text.

6 Custody rules

...

6.3 Depositing assets and arranging for assets to be deposited with third parties

Depositing safe custody assets with third parties

...

6.3.2A R (1) A *firm* must make a record of the grounds upon which it satisfies itself as to the appropriateness of its selection and appointment of a third party under CASS 6.3.1R. The *firm* must make the record on the date it makes the selection or appointment ~~and must keep it from that date until five years after the *firm* ceases to use the third party to hold safe custody assets belonging to clients.~~

(2) A *firm* must make a record of each periodic review of its selection and appointment of a third party that it conducts under CASS 6.3.1R, its considerations and conclusions. The *firm* must make the record on the date it completes the review ~~and must keep it from that date until five years after the *firm* ceases to use the third party to hold safe custody assets belonging to clients.~~

6.3.2B G CASS 6.6.7R sets out the retention requirements for the records that a *firm* is required to make under CASS 6.3.2AR.

...

6.4 Use of safe custody assets

Non-retail clients

6.4.1 R (-1) This rule applies in relation to activity carried on by a *firm* which is not retail market business.

(1) ...

...

6.4.1A G ~~The FCA expects *firms* which enter into arrangements under CASS 6.4.1 R with retail clients to only enter into securities financing transactions and not otherwise use retail clients' safe custody assets. [deleted]~~

6.4.1B G (1) Prior express consent by *clients* under CASS 6.4.1R should be given and recorded by *firms* in order to allow the *firm* to demonstrate

clearly what the *client* agreed to and to help clarify the status of *safe custody assets*.

- (2) *Clients' consent under CASS 6.4.1R may be given once at the start of the commercial relationship, as long as it is sufficiently clear that the client has consented to the use of their safe custody assets.*
- (3) ~~Where a firm is acting on a client instruction to lend safe custody assets and where this constitutes consent to entering into the transaction, the firm should hold evidence to demonstrate this.~~
[deleted]

[Note: recital 10 to the MiFID Delegated Directive]

Retail clients

- 6.4.1BA R (1) This rule applies to a firm's retail market business.
- (2) A firm must not enter into arrangements for securities financing transactions in respect of safe custody assets held by it on behalf of a client, unless:
- (a) the client has given express prior consent to the use of the safe custody assets on specified terms;
 - (b) the use of that client's safe custody assets is restricted to the specified terms to which the client consents; and
 - (c) entering into such arrangements, including the process of obtaining express prior consent and drawing up those specified terms, is compatible with the firm's obligations under Principle 12 and PRIN 2A (The Consumer Duty).
- (3) A firm must not enter into arrangements for securities financing transactions in respect of safe custody assets held by it on behalf of a client in an omnibus account maintained by a third party, unless, in addition to the conditions set out in (2):
- (a) each client whose safe custody assets are held together in an omnibus account has given express prior consent in accordance with (2)(a); or
 - (b) the firm has in place systems and controls which ensure that only safe custody assets belonging to clients who have given express prior consent in accordance with (2)(a) are so used.
- (4) Other than as a direct consequence of arrangements that it makes for securities financing transactions in accordance with this rule, a firm must not otherwise use safe custody assets held by it on behalf of a client for its own account or the account of any other person or client of the firm.

All clients

6.4.1BB G (1) This *guidance* applies to both CASS 6.4.1R and CASS 6.4.1BAR.

(2) Where a *firm* is acting on a *client* instruction to lend *safe custody assets* and where this constitutes consent to entering into the transaction, the *firm* should hold evidence to demonstrate this.

6.4.1BC G In relation to its *retail market business* when meeting the requirements of CASS 6.4.1CR to CASS 6.4.3R a *firm* should act in a way that is compatible with the obligations under *Principle 12* and *PRIN 2A* (The Consumer Duty).

...

6.6 Records, accounts and reconciliations

...

External custody reconciliations

...

6.6.35 R In CASS 6.6.34R, the third parties whose records and accounts a *firm* is required to reconcile its own internal records and accounts with must include:

- (1) the third parties with which the *firm* has deposited *clients' safe custody assets*;
- (2) where the *firm* has not deposited a *client's safe custody asset* with a third party:
 - (a) the third parties responsible for the registration of legal title to that *safe custody asset*; ~~or~~
 - (b) a *person* acting as an operator for the purposes of any of the *relevant overseas USRs* if:
 - (i) the *safe custody asset* is an uncertificated unit of a security governed by any of the *relevant overseas USRs*; and
 - (ii) the *firm* has reasonable grounds to be satisfied that the records of that *person* take into account all instructions issued by that *person* which require an issuer to register on a register of securities a transfer of title to any uncertificated units; or
 - (c) Euroclear UK & International Limited (EUI), if:

- (i) the *safe custody asset* is a *unit* held and settled in uncertificated form through EUI's Investment Funds Service ('IFS'); and
- (ii) the *firm* meets the ongoing conditions at CASS 6.6.35AR.

6.6.35A R This rule sets out the ongoing conditions for a *firm* using EUI's records under CASS 6.6.35R(2)(c)(ii):

- (1) The record being used by the *firm* to reconcile its own internal records and accounts must be the record maintained by EUI identifying the notional balances of *units* held by members of CREST using IFS (the 'IFS system record').
- (2) The *firm* must have entered into a written agreement with EUI (or have agreed to amend any existing written agreement) under which EUI has given the *firm* a contractual undertaking to:
 - (a) reconcile the IFS system record with each relevant *issuer's* register of *unitholders* on a daily basis for member accounts in the IFS that have moved during that day;
 - (b) reconcile the IFS system record with each relevant *issuer's* register of *unitholders* on a monthly basis for all member accounts in the IFS; and
 - (c) inform the *firm* as soon as practicable of any discrepancies in the IFS system record that could affect the accuracy of the *firm's* external reconciliations.
- (3) The *firm* must treat any discrepancy that is notified to it by EUI under CASS 6.6.35R(2)(c) in the same way that it is required to address discrepancies identified by itself under CASS 6.6.50R.

6.6.36 G Examples of the sorts of third parties referred to at CASS 6.6.35R(2)(a) include central securities ~~depositories~~ depositories, operators of collective investment schemes, and administrators of offshore funds.

...

6.6.37 R A *firm* must conduct *external custody reconciliations*:

- (1) as regularly as necessary but allowing no more than one month to pass between each *external custody reconciliation* (unless a longer period is permitted to pass in accordance with CASS 6.6.40AR or CASS 6.6.40CR); and
- (2) as soon as reasonably practicable after the date to which the *external custody reconciliation* relates.

- 6.6.38 G (1) CASS 6.6.44R sets out the matters which a *firm* must consider when determining the frequency at which to undertake an *external custody reconciliation*.
- (2) CASS 6.6.40AR and CASS 6.6.40CR may permit a *firm* to conduct *external custody reconciliations* less frequently than otherwise required under CASS 6.6.37R(1) when the particular circumstances set out in those *rules* arise, provided the conditions in those *rules* are met.
- 6.6.39 G ~~Where a *firm* holds *clients' safe custody assets* electronically with a central securities depository which is able to provide adequate information to the *firm* on its holdings on a daily basis, it~~ It is best practice under CASS 6.6.37R(1) for ~~the~~ a *firm* to conduct an *external custody reconciliation* each *business day* in respect of ~~these assets~~:
- (1) *safe custody assets* which the *firm* holds electronically with a central securities depository which is able to provide adequate information to the *firm* on its holdings on a daily basis; and
- (2) *units* held and settled in uncertificated form through EUI's IFS, where the *firm* is using EUI's records in accordance with CASS 6.6.35R(2)(c).
- 6.6.40 G ~~Where a *firm* deposits *safe custody assets* belonging to a *client* with a third party or where a third party is responsible for the registration of legal title to that asset, in complying with the requirements of CASS 6.6.34 R, the~~ A *firm* should seek to ensure that ~~the~~ any third party whose records and accounts the *firm* intends to reconcile its own internal records and accounts with provides the *firm* with adequate information (for example in the form of a statement) as at a date specified by the *firm* which details the description and amounts of all the *safe custody assets* credited to the relevant account(s) and that this information is provided in sufficient time to allow the *firm* to carry out its *external custody reconciliations* under CASS 6.6.37 R.
- 6.6.40A R (1) This rule applies where a *firm* has procured a third party to provide the *firm* with information at a frequency which would enable the *firm* to carry on *external custody reconciliations* within the frequency required by CASS 6.6.37R(1).
- (2) Whenever such a third party (despite its agreement with the *firm*) fails to provide the *firm* with information on time, with the result that there becomes more than one month between any of the *firm's external custody reconciliations* which depend on that third party, the *firm* will not for that reason be in breach of the requirement in CASS 6.6.37R(1), provided that:

- (a) the *firm* has established that the third party's failure was attributable to factors inherent to one or more *safe custody assets* for which the information was needed by the *firm*; and
- (b) the *firm* takes reasonable steps to procure that information as soon as practicable in order to carry out any affected *external custody reconciliation*.

6.6.40B G (1) Examples of factors falling under CASS 6.6.40AR(2)(a) are insolvency proceedings concerning the issuer of the asset and corporate actions concerning the issuer, such as delisting and corporate restructure.

- (2) If the third party's failure was attributable to other factors that were not inherent to the relevant *safe custody assets* – for example, a systems outage which affected the third party itself – CASS 6.6.40AR(2) would not apply.

6.6.40C R (1) This rule applies where:

- (a) a *firm* has made reasonable endeavours to procure a third party to provide the *firm* with information at a frequency which would enable the *firm* to carry on *external custody reconciliations* within the frequency required by CASS 6.6.37R(1); and
- (b) despite those reasonable endeavours, that third party has refused to provide information at the frequency requested by the *firm*, with the result that the *firm* can reasonably expect to be unable to carry on *external custody reconciliations* within the frequency required by CASS 6.6.37R(1).

- (2) If a *firm* in the situation in (1) allows more than 1 month to pass between any *external custody reconciliation* that is affected by that situation, it will not, for that reason, be in breach of the requirement in CASS 6.6.37R(1), provided that:

- (a) it conducts the affected *external custody reconciliation* at the greatest frequency possible, having regard to the frequency with which it will receive information from the relevant third party;
- (b) at the time it becomes aware of the third party's refusal in (1)(b), it makes a record of:
 - (i) the endeavours it made to attempt to avoid the situation in (1); and
 - (ii) the reasons as to why the situation could not be avoided; and

(c) the *firm's* policies and procedures under SYSC 6.1.1R include an explanation as to how the *firm's* wider systems and controls mitigate the risk that the reduced frequency of the *external reconciliations* weakens the *firm's* ability to achieve the purpose of an *external reconciliation* as set out at CASS 6.6.33G,

(3) A *firm* in the situation at paragraph (1) must undertake an annual review of the situation to ascertain whether it can be resolved and, in particular, must:

(a) use reasonable endeavours to increase the frequency of the affected *external custody reconciliation* to the extent possible; and

(b) if the situation in (1) remains after the review, make a record of the reasons why.

6.6.40D G The annual review required under CASS 6.6.40CR(3) may be undertaken at the same time as any review which the *firm* carries on under CASS 6.6.46R.

...

7 Client money rules

...

7.10 Application and purpose

...

7.10.2 G ...

Bank interest received in a client bank account pending it becoming due and payable to a client

7.10.2A R (1) This rule applies where a *firm* receives bank interest on a balance of *client money* in a *client bank account* in circumstances where:

(a) at the time of the receipt, no part of the bank interest would fall within CASS 7.10.1R because it is not held at that time for or on behalf of any *client*; and

(b) the *firm* has agreed with one or more *clients* who have an entitlement to *client money* in that relevant *client bank account* that, at a specified point, which falls no later than one month after the bank interest has been received, either:

- (i) the entire amount of bank interest referable to the *client's* entitlement to *client money* in the *client bank account* will become due and payable to that *client*; or
 - (ii) part of the amount of bank interest referable to the *client's* entitlement to *client money* in the *client bank account* will become due and payable to that *client* and the remainder may be retained by the *firm* for itself.
 - (2) A *firm* may make an election that in any situation where this *rule* applies, the *firm* will treat the entire amount of the bank interest received as 'unallocated' *client money* until such time as it can be allocated between the relevant *clients* as due and payable to them in accordance with the *firm's* agreements with them and, if relevant, to the *firm* for itself.
 - (3) A *firm* which has made such an election must, whenever any situation to which this *rule* applies arises, treat the entire amount of the bank interest received as 'unallocated' *client money* subject to (4).
 - (4) Whenever a *firm* which has made such an election is in a position to allocate any part of a bank interest receipt under (1) to a *client* as due and payable to them, and/or to the *firm* for itself, it must:
 - (a) make that allocation as soon as possible; and
 - (b) by no later than by the end of the following *business day*, remove any *money* that was allocated to the *firm* for itself from its *client bank accounts*.
 - (5) A *firm* must make and retain a written record of any election it makes under this *rule*, including the date from which the election is to be effective. The *firm* must make the record on the date it makes the election and keep it for a period of 5 years after ceasing to use it.
- 7.10.2B G (1) CASS 7.10.2AR has the effect of allowing a *firm* to elect to broaden the meaning of *client money* but only in relation to receipts of bank interest in particular circumstances.
- (2) Specifically, the election at CASS 7.10.2AR(2) is available where a *firm* receives the bank interest into the *client bank account* before the point in time at which the *firm* has agreed with a *client* the *money* (or some of it) will become due and payable to the *client*.
 - (3) *Firms* are reminded that where they enter into any agreement of the sort described at CASS 7.10.2AR(1)(b) with a *retail client*, they should comply with CASS 7.11.32R.

...

7.11 Treatment of client money

...

Interest

7.11.32 R A *firm* must pay a *retail client* any interest earned on *client money* held for that *client* unless: ~~it has otherwise notified him in writing.~~

- (1) it has otherwise notified them in writing; and
- (2) not paying the *client* all or some of the interest is compatible with the *firm's* obligations under Principle 12 and PRIN 2A (The Consumer Duty).

7.11.33 G (1) The *firm* may, under the terms of its agreement with the *client*, pay some, none, or all interest earned to the relevant *client*.

- (2) Where interest is payable on *client money* by a *firm* to *clients*:
 - (a) such sums are *client money* and so, if not paid to, or to the order of the clients, are required to be segregated in accordance with CASS 7.13 (Segregation of client money);
 - (b) the interest should be paid to *clients* in accordance with the *firm's* agreement with each *client*; and
 - (c) if the *firm's* agreement with the *client* is silent as to when interest should be paid to the *client* the *firm* should follow CASS 7.13.36 R (Allocation of client money receipts);

irrespective of whether the *client* is a *retail client* or otherwise.

- (3) For any *retail market business*, the *firm* should comply with CASS 7.11.32R(2).

...

7.13 Segregation of client money

...

7.13.19 G ...

Bank interest on client money which is not due to a client

7.13.19-A R (1) This rule applies in relation to any receipt, and to any expectation by a *firm* of a receipt, of bank interest into a *client bank account* which belongs entirely to the *firm* rather than being due to any *client* and which:

- (a) does not meet the description in CASS 7.10.2AR(1) (for example, because it will not become due to the *client* at a later point in time); and
 - (b) is not part of a *mixed remittance*.
- (2) Where a *firm* reasonably expects to receive one or more payments of bank interest as described in (1) into a particular *client bank account*, it must request the relevant central bank, *credit institution* or bank authorised in a *third country* in writing to pay that interest into a separate account that the *firm* holds with that institution rather than that particular *client bank account* or any other *client bank account*.
- (3) If a *firm*'s request under (2) is not met, the *firm* must pay bank interest as described in (1) out of the *client bank account* promptly after receiving it and, in any event, no later than one *business day* after it was received.

7.13.19-B E Compliance with CASS 7.13.19-AR(2) may be relied on as tending to establish compliance with the requirement to take 'necessary steps' under CASS 7.13.12R to ensure that *client money* is held in an account or accounts identified separately from any accounts used to hold *money* belonging to the *firm*, but only in relation to receipts of bank interest into the relevant *client bank account*.

7.13.19-C G (1) CASS 7.13.19-AR(3) requires the *firm* to promptly address the risk arising from the failure to maintain segregation. *Firms* are reminded that, under CASS 7.11.25R(1), *money* is not *client money* when it becomes properly due and payable to the *firm* for its own account.

(2) A *firm* should not expect to receive bank interest which belongs entirely to the *firm* in relation to *client money* held for any *retail client* unless it has complied with CASS 7.11.32R.

Diversification of client money

...

7.13.25 R (1) A *firm* must make a record of the grounds upon which it satisfies itself as to the appropriateness of its selection and appointment of a bank or a *qualifying money market fund* under CASS 7.13.8R. The *firm* must make the record on the date it makes the selection or appointment and must keep it from that date until five years after the *firm* ceases to use that particular *person* for the purposes of depositing *client money* under CASS 7.13.3R.

(2) A *firm* must make a record of each periodic review of its selection and appointment of a bank or a *qualifying money market fund* that it conducts under CASS 7.13.8R, its considerations and conclusions. The *firm* must make the record on the date it completes the review

~~and must keep it from that date until five years after the *firm* ceases to use that particular *person* for the purposes of depositing *client money* under CASS 7.13.3R.~~

- (3) A *firm* must make a record of each periodic review that it conducts under CASS 7.13.22R, its considerations and conclusions. The *firm* must make the record on the date it completes the review ~~and must keep it for five years from that date.~~

7.13.25A G CASS 7.15.5R(3) sets out the retention requirement for the records that a *firm* is required to make under CASS 7.13.25R.

...

Allocation of client money receipts

- 7.13.36 R (1) Subject to (3), A *firm* must allocate any *client money* it receives to an individual *client* promptly and, in any case, no later than ten *business days* following the receipt (or where subsequent to the receipt of *money* it has identified that the *money*, or part of it, is *client money* under CASS 7.13.37 R, no later than ten *business days* following that identification).
- (2) Pending a *firm* 's allocation of a *client money* receipt to an individual *client* under (1), it must record the received *client money* in its books and records as "unallocated client money".
- (3) In relation to a receipt of bank interest in the circumstances set out at CASS 7.10.2AR(1) and where a *firm* has made an election under CASS 7.10.2AR(2) to treat such receipts as unallocated *client money*, the requirement at CASS 7.10.2AR(4)(a) to allocate the receipt as soon as possible applies.

...

7.15 Records, accounts and reconciliations

...

Record keeping

- 7.15.5 R (1) A *firm* must maintain records so that it is able to promptly determine the total amount of *client money* it should be holding for each of its *clients*.
- (2) A *firm* must ensure that its records are sufficient to show and explain its transactions and commitments for its *client money*.
- (3) Unless otherwise stated, a *firm* must ensure that any record made under ~~the~~ this chapter is retained for a period of five years starting from the later of:

- (a) the date it was created; and
- (b) (if it has been modified since the date it was created), the date it was most recently modified.

...

7.16 The standard methods of internal client money reconciliation

...

Other requirements for calculating the client money requirement

7.16.25 R When calculating the *client money requirement* under either of the methods in *CASS 7.16.10R*, a *firm* must:

- (1) include any unallocated *client money* (see *CASS 7.10.2AR(3)* and *CASS 7.13.36R*) and unidentified receipts of *money* it considers prudent to segregate as *client money* (see *CASS 7.13.37R*);

...

...

Sch 1 Record keeping requirements

...

Sch 1.3 G

| Handbook reference | Subject of record | Contents of record | When record must be made | Retention period |
|------------------------|---|--|---------------------------|--|
| ... | | | | |
| <i>CASS 6.3.2AR(1)</i> | Appropriateness of a <i>firm's</i> selection of a third party | Grounds upon which a <i>firm</i> satisfies itself as to the appropriateness of the <i>firm's</i> selection of a third party to hold <i>safe custody assets</i> belonging to <i>clients</i> | Date of the selection | 5 years (from the date the <i>firm</i> ceases to use the third party to hold <i>safe custody assets</i> belonging to <i>clients</i>) Not specified (see <u>default provision <i>CASS 6.6.7R</i></u>) |
| <i>CASS 6.3.2AR(2)</i> | A <i>firm's</i> periodic review into the | Date of review, actions taken by the <i>firm</i> in | On the date of the review | Five years (from the date the <i>firm</i> ceases to use the |

| | | | | |
|----------------------------|---|---|--|---|
| | selection and appointment of a third party under CASS 6.3.1R | reviewing the selection and appointment of a third party under CASS 6.3.1R, and grounds upon which the <i>firm</i> continues to be satisfied of appropriateness of its selection of that third party to hold <i>safe custody assets</i> belonging to <i>clients</i> | | third party to hold <i>safe custody assets</i> belonging to <i>clients</i> Not specified (see <u>default provision CASS 6.6.7R</u>) |
| ... | | | | |
| CASS 6.6.30R | ... | ... | ... | ... |
| <u>CASS 6.6.40CR(2)(b)</u> | <u>Record of inability to complete monthly external reconciliations</u> | <u>A <i>firm's</i> endeavours under CASS 6.6.40AR to procure information from a third party and any reasons given by the relevant third party as to why the information cannot be supplied at a frequency that would enable the <i>firm</i> to carry on external custody reconciliations within the frequency required by CASS 6.6.37R(1)</u> | <u>At the time the firm forms the expectation at CASS 6.6.40CR(2)(b)</u> | <u>Not specified (see default provision CASS 6.6.7R)</u> |

| | | | | |
|----------------------------|---|---|--|---|
| <u>CASS 6.6.40CR(3)(b)</u> | <u>Record of inability to complete monthly external reconciliations</u> | <u>The reasons as to why, after an annual review, the situation in CASS 6.6.40CR(1) remains</u> | <u>Immediate</u> | <u>Not specified (see default provision CASS 6.6.7R)</u> |
| ... | | | | |
| CASS 6.7.6R | ... | ... | ... | ... |
| <u>CASS 7.10.2AR(5)</u> | <u>Record of election made under CASS 7.10.2AR(2)</u> | <u>The date on which the election is to be effective</u> | <u>Date of the election</u> | <u>5 years (from the date the <i>firm</i> ceases to use the election)</u> |
| ... | | | | |
| CASS 7.13.25R(1) | Appropriateness of a <i>firm's</i> selection of a third party | Grounds upon which a <i>firm</i> satisfies itself as to the appropriateness of the <i>firm's</i> selection of a third party to hold <i>client money</i> | Date of the selection (CASS 7.13.25R(4)) | 5 years (from the <i>firm</i> ceases to use the third party to hold <i>client money</i>) <u>Not specified (see default provision CASS 7.15.5R(3))</u> |
| ... | | | | |
| CASS 7.13.25R (2) | <i>Firm's</i> periodic review into selection and appointment of third party under CASS 7.13.8R. | Date of each review, actions the <i>firm</i> took in reviewing the selection and appoint of a third party under | Date of review (CASS 7.13.25R(4)) | Five years (from date of review) <u>Not specified (see default provision CASS 7.15.5R(3))</u> |

| | | | | |
|---------------------|---|---|----------------|--|
| | | CASS 7.13.8R, and the grounds upon which the <i>firm</i> continues to be satisfied of appropriateness of its selection of that third party to hold <i>client money</i> | | |
| CASS 7.13.25R(3) | <i>Firm's</i> periodic review under CASS 7.13.22 R. | Fact of review, its considerations and conclusions | Date of review | Five years (from date of review) <u>Not specified (see default provision CASS 7.15.5R(3))</u> |
| ... | | | | |

Annex O

Amendments to the Product Intervention and Product Governance sourcebook (PROD)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

1 Product Intervention and Product Governance Sourcebook (PROD)

...

1.3 Application of PROD 3

...

Other firms manufacturing or distributing financial instruments or structured deposits

1.3.2 R (1) ...

(2) Paragraph (1) does not apply to a *firm* to the extent that it is required to comply with ~~*Principle 12 (Consumer Duty)*~~ and ~~*PRIN 2A*~~ the *Consumer Duty* in relation to a *product*.

...

~~Interaction of PROD 3 and the RPPD Guide~~

1.3.15 G ~~A *firm* to which PROD 3 applies need not apply the guidance in RPPD for matters covered by PROD if the *firm* has complied with PROD 3. [deleted]~~

...

1.4 Application of PROD 4

...

1.4.1-A R A *TP firm* and a *Gibraltar-based firm* must also comply with the provisions in:

- (1) ~~PROD 1.4 and PROD 4.5 (Additional expectations for manufacturers and distributors in relation to value measures data);~~
- (2) PROD 1.4 and PROD 4 in relation to a *pathway investment*;
- (3) PROD 1.4, PROD 4 and (where applicable) PROD TP 1 in relation to *non-investment insurance products* (including *legacy non-investment insurance products*) that are, or will be, marketed or *distributed*, or there are *policies* under the product that remain in force, in the *United Kingdom*.

- 1.4.1A R ~~*PROD 4.5* (Additional expectations for manufacturers and distributors in relation to value measures data) applies regardless of when the product was first manufactured. [deleted]~~

...

Interaction of *PROD 4* and the RPPD Guide

- 1.4.10 G ~~A *firm* to which *PROD 4* applies need not apply the guidance in RPPD for matters covered by *PROD* if the firm has complied with *PROD 4* (see also *PROD 4.4.2G*). *PROD 4.4* includes guidance based on the RPPD which firms subject to *PROD 4* should apply. [deleted]~~

...

1.7 Application of *PROD 7*

...

Interaction of *PROD 7* and the RPPD Guide

- 1.7.6 G ~~The RPPD Guide does not apply to a *firm* to which *PROD 7* applies for matters covered by, and where the firm has complied with, *PROD 7*. [deleted]~~

...

4 Product governance: IDD and pathway investments

...

4.2 Manufacture of insurance products

...

Fair value for non-investment insurance products: relevance through the product approval process

- 4.2.14D R A *firm* must consider the value considerations in *PROD 4.2.14AR* and, where relevant, *PROD 4.2.14BR* throughout every stage of the product approval process in *PROD 4* including, in particular, when:
- (1) identifying the target market and the interests, needs, objectives and characteristics of such *customers* (*PROD 4.2.15R* to *PROD 4.2.21AG*);
 - (2) undertaking product testing (*PROD 4.2.22R* to *PROD 4.2.26G*); and
 - (3) selecting any distribution channel (*PROD 4.2.27R* to *PROD 4.2.32DR*).

4.2.14D G Where an insurance product is the subject of a reporting requirement within
A SUP 16.27 (General insurance value measures reporting), then, for the
purposes of PROD 4.2.14DR, firms should consider, among other things:

- (1) the firm's reasonable assessment of the value expectations
of customers in the target market; and
- (2) any particular features of the product or the terms and conditions that
may give rise to concerns about poor value.

...

4.4 Additional expectations for manufacturers and distributors of insurance product

...

4.4.2 G ~~PROD 1.4.10G provides that, where PROD 4 applies, a firm need not apply the guidance in RPPD for matters covered by PROD, if that firm has complied with PROD 4. However, PROD 4 does not cover all parts of the RPPD or wider obligations in the FCA Handbook and the following guidance, some of which is reproduced from the RPPD, remains relevant. [deleted]~~

...

PROD 4.5 (Additional expectations for manufacturers and distributors in relation to value measures data) is deleted in its entirety. The deleted text is not shown but the chapter is marked [deleted] as shown below.

4.5 ~~Additional expectations for manufacturers and distributors in relation to value measures data [deleted]~~

Amend the following as shown.

7 Product governance: funeral plans

...

7.2 Manufacture of funeral plans

...

Distribution channels: information disclosure to distributors

7.2.33 R (1) *A manufacturer must make available to a distributor all appropriate information on the:*

- (a) *funeral plan product*, including to enable the *distributor* to understand the intended value established by the *manufacturer*;
- (b) product approval process;
- (c) identified target market of the *funeral plan product*, including any type of *customer* for whom the *funeral plan product* is unlikely to provide fair value; and
- (d) suggested distribution strategy.

(2) ...

7.2.33A G The information required in *PROD 7.2.33R(1)* should include, only if requested by a *distributor*, information about the determination of the intervals for regular review of the insurance product in *PROD 7.2.40AR*. For the avoidance of doubt, this information includes the record made and maintained for the purposes of *PROD 7.2.40CR*.

...

Monitoring and review of funeral plan products: ~~minimum review period~~

7.2.39 R ~~A *manufacturer* must undertake the regular review: [deleted]~~

- (1) ~~every 12 months; or~~
- (2) ~~more frequently where the potential risk associated with the *funeral plan product* makes it appropriate to do so~~

7.2.40 R ~~When determining the appropriate interval for review of a *funeral plan product*, a *manufacturer* must take into account: [deleted]~~

- (1) ~~the nature of the *customer* base, including whether there are significant numbers of vulnerable *customers*;~~
- (2) ~~any specific indicators seen in the *manufacturer's* assessment of the product's value to the *customer*;~~
- (3) ~~the nature and type of distribution arrangements being used;~~
- (4) ~~any indicators of *customer* harm potentially emerging from the performance of the product (for example, through redemptions of *funeral plan contracts*, missed instalment plan payments by the *customer*, and/or the number of *funeral plan contracts* expected to be redeemed but have not been redeemed and complaints data); and~~
- (5) ~~any relevant external factors, such as changes to the applicable legal rules, technological developments, or changes to the market situation.~~

- 7.2.40A R A *manufacturer* must determine, on an ongoing basis, the appropriate intervals for regular review based on the potential for *customer* harm arising from risk factors associated with the *funeral plan product*.
- 7.2.40B R For the purposes of *PROD 7.2.40AR*, a *manufacturer* must take into account at least the following factors:
- (1) the nature of the *customer* base, including whether there are significant numbers of vulnerable *customers*;
 - (2) any specific indicators of *customer* harm seen in the *manufacturer's* assessment of the product's value to the *customer*;
 - (3) the nature and type of distribution arrangements being used;
 - (4) any indicators of *customer* harm potentially emerging from the performance of the product (for example, through redemptions of *funeral plan contracts*, missed instalment plan payments by the *customer*, and/or the number of *funeral plan contracts* expected to be redeemed but have not been redeemed and complaints data); and
 - (5) any relevant external factors, such as changes to the applicable legal rules, technological developments or market situation.
- 7.2.40C R In relation to a *funeral plan product*, a *manufacturer* must make and retain a record of:
- (1) its determination of the appropriate intervals for regular review; and
 - (2) the reasons for that determination.
- 7.2.40D G Where the potential for *customer* harm arising from risk factors associated with a *funeral plan product* is greater, a *firm* should carry out more frequent reviews under *PROD 7.2.37R*. This may result in reviews being carried out more frequently than once every 12 *months*. Conversely, where the potential for *customer* harm arising from risk factors associated with a *funeral plan product* is lower, a *firm* may carry out less frequent reviews under *PROD 7.2.37R*. This may result in reviews being carried out less frequently than once every 12 *months*.
- 7.2.40E G The requirement in *PROD 7.2.40AR* applies on an ongoing basis. A *manufacturer* should review its determination of the appropriate intervals for regular review where it becomes aware of relevant new information.

...

7.3 Distribution of funeral plans

...

Distribution arrangements: disclosing information to manufacturers

- 7.3.6 R A *distributor* must, upon request, provide *manufacturers* with:
- (1) information on the *distributor's* remuneration in connection with the distribution of the *funeral plan product*;
 - (2) information on any additional product or service that the *distributor* provides to the *customer*, which may affect the *manufacturer's* intended value of the product;
 - (3) relevant sales information, including, where appropriate, information on the regular reviews of the product distribution arrangements; and
 - (4) confirmation that the distribution arrangements are consistent with the obligations of the *firm* under the *FCA Handbook*, including in particular in SYSC 10.1 (Conflicts of interest) and SYSC 19F.3 (Funeral plan remuneration incentives).

7.3.6A G Information on the regular reviews of the product distribution arrangements in PROD 7.3.6R(3) includes information about the determination of the intervals for the regular review of its product distribution arrangements in PROD 7.3.11R(1A). For the avoidance of doubt, this information includes the record made and maintained for the purposes of PROD 7.3.11R(3).

...

Distribution arrangements: review of distribution arrangements

- 7.3.11 R (1) A *distributor* must regularly review, ~~at least every 12 months~~, its product distribution arrangements to ensure that those arrangements are still valid and up to date.
- (1A) A *distributor* must determine, on an ongoing basis, the appropriate intervals for the regular review of its product distribution arrangements based on the potential for customer harm arising from risk factors associated with the *funeral plan product*.
- (2) When determining the appropriate intervals for the regular review of their product distribution arrangements, a *distributor* must take into account the size, scale and complexity of the *funeral plan product* involved.
- (3) In relation to a *funeral plan product*, a *distributor* must make and retain a record of:
- (a) its determination of the appropriate intervals for the regular review of its product distribution arrangements; and
 - (b) the reasons for that determination.

7.3.11A G Where the potential for *customer* harm arising from risk factors associated with a *funeral plan product* is greater, a *firm* should carry out more frequent

reviews under *PROD 7.3.11R* This may result in reviews being carried out more frequently than once every 12 months. Conversely, where the potential for *customer* harm arising from risk factors associated with a *funeral plan product* is lower, a *firm* may carry out less frequent reviews under *PROD 7.3.11R*. This may result in reviews being carried out less frequently than once every 12 months.

- 7.3.11B G The requirement in *PROD 7.3.11R(1A)* applies on an ongoing basis. A distributor should review its determination of the appropriate intervals for regular review where it becomes aware of relevant new information.

...

7.4 Product governance requirements for subsisting funeral plans

...

Monitoring and review of funeral plan products: ~~minimum review period~~

- 7.4.4 R (1) ~~A firm must undertake the regular review at least every 12 months.~~
[deleted]
- (1A) A firm must determine, on an ongoing, basis the appropriate intervals for regular review based on the potential for *customer* harm arising from risk factors associated with the *funeral plan product*.
- (2) ~~When determining the appropriate interval for review of a *funeral plan product* For the purpose of *PROD 7.4.4R (1A)*, a *firm* must take into account:~~
- (a) the nature of the *customer* base, including whether there are significant numbers of vulnerable *customers*;
 - (b) any indicators of *customer* harm potentially emerging from the performance of the product; and
 - (c) any relevant external factors such as changes to the applicable legal rules, technological developments, or changes to the market situation.
- (3) A firm must make and retain a record of:
- (a) its determination of the appropriate intervals for the regular review of its product distribution arrangements; and
 - (b) the reasons for that determination.
- 7.4.4A G Where the potential for *customer* harm arising from risk factors associated with a *funeral plan product* is greater, a *firm* should carry out more frequent reviews under *PROD 7.4.4R*. This may result in reviews being carried out more frequently than once every 12 months. Conversely, where the potential for *customer* harm arising from risk factors associated with a *funeral plan*

product is lower, a *firm* may carry out less frequent reviews under *PROD* 7.4.4R. This may result in reviews being carried out less frequently than once every 12 months.

7.4.4B G The requirement in *PROD* 7.4.4R(1A) applies on an ongoing basis. A *firm* should review its determination of the appropriate intervals for regular review where it becomes aware of relevant new information.

...

TP 1 Transitional Provisions

TP 1

| (1) | (2) Material to which the transitional provision applies | (3) | (4) Transitional provision | (5) Transitional provision: dates in force | (6) Handbook provision: coming into force |
|-----|--|-----|--|--|---|
| 1.1 | <i>PROD</i> 4.5R (in particular, <i>PROD</i> 4.5.1R, <i>PROD</i> 4.5.2R, <i>PROD</i> 4.5.4R(5) and <i>PROD</i> 4.5.7R(2)). [expired] | R | For the purposes of giving effect to the <i>rules</i> in <i>PROD</i> 4.5R only, any reference to being subject to a reporting requirement within <i>SUP</i> 16.27R must be read as if <i>SUP</i> 16.27R came into force on 1 January 2021. | From 1 January 2021 to 1 July 2021 | 1 January 2021 |

Annex P

Amendments to the Supervision Manual (SUP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

6B Variation and cancellation of permission and imposition of requirements on the FCA's own initiative and intervention against incoming firms

...

6B.2 Varying a firm's Part 4A permission or imposing requirements on the FCA's own initiative

...

6B.2.5 G Examples of circumstances in which the *FCA* will consider varying a *firm's Part 4A permission* because it has serious concerns about a *firm*, or about the way its business is being or has been conducted include where:

- (1) in relation to the grounds for exercising the power under section 55J(1)(a) or section 55L(2)(a) of the *Act*, the *firm* appears to be failing, or appears likely to fail, to satisfy the *threshold conditions* relating to one or more, or all, of its *regulated activities*, because for instance:

...

- (2) in relation to the grounds for exercising the power under section 55J(1)(c)(i) or section 55L(2)(c), it appears that the interests of *consumers* are at risk because the *firm* appears to have breached any of *Principles 6 to 7, 8, 9, and 10 of the FCA's Principles* (see *PRIN 2.1.1R*) or the *Consumer Duty* (as applicable) to such an extent that it is desirable that limitations, restrictions, or prohibitions are placed on the *firm's regulated activity*.

...

10C FCA senior managers regime for approved persons in SMCR firms

...

10C.12 Conditional and time-limited approvals

...

Condition not based on fitness

...

10C.12.4 G In this scenario, the time-limited approval may be accompanied by a
3 condition requiring the *candidate* to:

- (1) complete an action or deliverable on or before the end of the time limit, eg a requirement on the acting Head of Sales to produce a revised strategy ~~for treating customers fairly~~ within the next six months; and
- (2) refrain from taking specific actions or decisions associated with the role until that person receives permanent approval, eg, a requirement not to introduce a new sales channel until they receive permanent approval.

...

App 2 Insurers: Regulatory intervention points and run-off plans

...

App 2.8 Ceasing to effect contracts of insurance

- App 2.8.1 R If a *firm* (whether within or outside the scope of the *Solvency II Directive*) decides to cease to effect new *contracts of insurance*, it must, within 28 days of that decision, submit a run-off plan to the *FCA* including:
- (1) a *scheme of operations*; and
 - (2) an explanation of how, or to what extent, all liabilities to *policyholders* (including, where relevant, liabilities which arise from the regulatory ~~duty~~ duties to treat *customers* fairly or the *Consumer Duty* (as applicable) in setting discretionary benefits) will be met in full as they fall due.

...

3 Auditors

...

3.10 Duties of auditors: notification and report on client assets

...

Client assets report

3.10.5 R

| Whether in the auditor's opinion | |
|----------------------------------|--|
| (1) | the <i>firm</i> has maintained systems adequate to enable it to comply with the <i>custody rules</i> (except <u>CASS 6.4.1BAR(2)(c)</u> and <u>CASS 6.7</u>), the |

| | |
|-----|--|
| | <i>collateral rules, the client money rules (except CASS 5.2 and CASS 7.11.32R(2)), the debt management client money rules, the claims management client money rules and the mandate rules throughout the period;</i> |
| (2) | <i>the firm was in compliance with the custody rules (except CASS 6.4.1BAR(2)(c) and CASS 6.7), the collateral rules, the client money rules (except CASS 5.2 and CASS 7.11.32R(2)), the debt management client money rules, the claims management client money rules and the mandate rules, at the date as at which the report has been made;</i> |
| ... | |

...

16 Reporting requirements

...

16.27 General insurance value measures reporting

...

Purpose

- 16.27.5 G (1) The purpose of this section is to require *firms* to submit information on certain value measures *general insurance contracts* in a standard format to the *FCA*. This information enables the publication of the value measures data in the pursuance of the *FCA*'s effective competition and consumer protection objectives.
- (2) The purpose of *SUP* 16.27 is to provide the *FCA* with general insurance value measures data that it can use to publish guidance ~~(and which may also assist with the *FCA*'s monitoring of *firms*' compliance with *PROD* 4.5)~~. The purpose of that publication is to:

...

...

Annex Q

Amendments to the Dispute Resolution: Complaints sourcebook (DISP)

In this Annex, underlining indicates new text and striking through indicates deleted text,.

App 3 Handling Payment Protection Insurance complaints

...

App 3.4 Root cause analysis

...

- App 3.4.3 G ~~Where a *firm* identifies (from its *complaints* or otherwise) recurring or systemic problems in its sales practices for a particular type of *payment protection contract*, either for its sales in general or for those from a particular location or sales channel, it should (in accordance with *Principle 6* (Customers' interests) and to the extent that it applies), consider whether it ought to act with regard to the position of *customers* who may have suffered detriment from, or been potentially disadvantaged by such problems but who have not complained and, if so, take appropriate and proportionate measures to ensure that those *customers* are given appropriate redress or a proper opportunity to obtain it. In particular, the *firm* should: [deleted]~~
- (1) ~~ascertain the scope and severity of the consumer detriment that might have arisen; and~~
 - (2) ~~consider whether it is fair and reasonable for the *firm* to undertake proactively a redress or remediation exercise, which may include contacting *customers* who have not complained.~~

...

Annex R

Amendments to the Access to Cash sourcebook (ATCS)

In this Annex, underlining indicates new text and striking through indicates deleted text.

8 Implementation

...

8.5 Relationship with the Principles for Businesses

...

8.5.1 G *Designated firms* are reminded that the following will continue to apply to their relationships with their *customers*, as appropriate, including throughout the process of planning or dealing with any *relevant closures* of their *cash access facilities* and in the delivery of any *cash access services*:

- (1) ~~*Principle 12 (Consumer Duty)* and *PRIN 2A (The Consumer Duty)*~~ the *Consumer Duty*; or
- (2) *Principle 6* (Customers' interests) and *Principle 7* (Communications with clients), where ~~*Principle 12* and *PRIN 2A (The Consumer Duty)*~~ do the *Consumer Duty* does not apply (for example, because of the type of *customer*).

8.5.2 G (1) FG22/6 (Branch and ATM closures or conversions), as updated on 11 October 2022, contains guidance on *Principle 6* and *Principle 7* in the context of full or partial closures of branches or automatic teller machines, and conversions of such machines from free-to-use to pay-to-use. *PRIN 2A.1.17G* explains the relevance of such guidance to consideration of *firms'* obligations under ~~*Principle 12* and *PRIN 2A*~~ the *Consumer Duty*.

...

8.5.3 G ...

- (3) ~~*Principle 12* and *PRIN 2A* support~~ The *Consumer Duty* supports existing legal requirements, such as those in the Equality Act 2010 and anti-discrimination legislation in Northern Ireland, by requiring *firms* to monitor whether any group of *retail customers* is experiencing different outcomes than other *customers* and take appropriate action where they do. As set out in FG22/5 (Final non-Handbook Guidance for firms on the Consumer Duty), *firms* should be able to identify when *customers* with characteristics of vulnerability or *customers* who share specific protected characteristics, under the Equality Act 2010 or equivalent legislation, receive systematically poorer outcomes. This may indicate that the

firm is not meeting the ~~Consumer Duty~~ Consumer Duty for those groups or is breaching its responsibilities under legislation.

...

Annex S

Amendments to the Collective Investment Schemes sourcebook (COLL)

In this Annex, underlining indicates new text and striking through indicates deleted text.

5 Investment and borrowing powers

...

5.2 General investment powers and limits for UCITS schemes

...

Concentration

5.2.29 R A UCITS scheme:

...

- (3) ~~must not acquire units representing more than 25% in value of the scheme property in:~~ [deleted]
 - (a) ~~a collective investment scheme that is not an umbrella or a sub-fund; or~~
 - (b) ~~a sub-fund of an umbrella;~~
- (4) must not acquire more than 10% of the *approved money-market instruments* issued by any single body; and
- (5) need not comply with the limits in (2), ~~(3)~~ and (4) if, at the time of acquisition, the net amount in issue of the relevant *investment* cannot be calculated; and
- (6) ~~need not comply with the limit in (3) where both the investing UCITS scheme and the collective investment scheme in which units are acquired (the 'second scheme') are authorised funds managed by the same authorised fund manager, and the authorised fund manager:~~ [deleted]
 - (a) ~~performs portfolio management and risk management for both the investing UCITS scheme and the second scheme without delegation of those functions;~~
 - (b) ~~delegates portfolio management and/or risk management for both the investing UCITS scheme and the second scheme to the same person; or~~
 - (c) ~~delegates portfolio management and/or risk management for either the investing UCITS scheme or the second scheme to another person but performs portfolio management and/or risk~~

management in relation to the other *scheme* without delegation of those functions.

5.2.29A R In ~~COLL 5.2.29R(6)~~, a reference to ‘portfolio management’ is to be construed as a reference to, as applicable: [deleted]

(1) ‘investment management’ within the meaning of the *regulated activity of managing a UK UCITS*; or

(2) ‘portfolio management’ within the meaning of the *regulated activity of managing an AIF*.

...

6 Operational duties and responsibilities

...

6.2 Dealing

...

Purpose

6.2.2 G (1) This section helps in achieving the *statutory objective* of securing an appropriate degree of protection for *consumers*. ~~In accordance with Principle 6, this~~ This section is also concerned with ensuring the *authorised fund manager* pays due regard to its *clients’* interests and treats them fairly.

...

...

6.3 Valuation and pricing

...

Purpose

6.3.2 G (1) ~~In accordance with Principle 6, this~~ This section is intended to ensure that the *authorised fund manager* pays due regard to its *clients’* interests and treats them fairly.

...

...

6.8 Income: accounting, allocation and distribution

...

Accounting periods

...

6.8.2A G ...

- (2) When the annual accounting period of a *scheme* is extended under *COLL* 6.8.2R(4) or *COLL* 6.8.2R(6), resulting in a longer than usual period before the publication of reports to *unitholders*, the *authorised fund manager* should make summary information about the investment activities of the *scheme* available to *unitholders* during that period, in accordance with either (as applicable) ~~Principle 12 (Consumer Duty)~~ ~~and PRIN 2A~~ the Consumer Duty, or *Principles* 6 (Customers' interests) and 7 (Communications with clients) (see *PRIN* 3.2.10R (Interaction between ~~Principle 12~~ the Consumer Duty and *Principles* 6 and 7)).

...

Annex T

Amendments to the Consumer Credit sourcebook (CONC)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

1 Application and purpose and guidance on financial difficulties

...

1.1 Application and purpose

...

The Principles for Businesses: a reminder

- 1.1.4 G The Principles for Businesses (*PRIN*) apply as a whole to *firms* with respect to *credit-related regulated activities* and *ancillary activities* in relation to *credit-related regulated activities* (see *PRIN* 3). In carrying on their activities, *firms* should pay particular attention to their obligations under:

...

- (9) ~~*Principle 12*~~ (a *firm* must act to deliver good outcomes for *retail customers*), including ~~*PRIN 2A*~~ the *Consumer Duty*.

...

2 Conduct of business standards: general

...

2.2 General principles for credit-related regulated activities

...

General principles

- 2.2.2 G ~~*Principle 6*~~ requires a *firm* to pay due regard to the interests of its *customers* and ~~treat them fairly~~. Examples of behaviour by or on behalf of a *firm* which is likely to contravene *Principle 6* and the *Consumer Duty* (as applicable) include:

...

...

2.10 Mental capacity guidance

...

Practices and procedures

...

- 2.10.1 G (1) In accordance with *Principle 6 and the Consumer Duty (as applicable)*, *firms* should take reasonable steps to ensure they have suitable business practices and procedures in place for ~~the fair treatment of customers who~~ whom they understand, or reasonably suspect, have or may have a mental capacity limitation.

[Note: paragraph 4.1 of *MCG*]

...

...

3 Financial promotions and communications with customers

...

3.3 The clear fair and not misleading rule and general requirements

...

“Buy now pay later” or similar offers

- 3.3.11 G (1) *Firms* are reminded that the Consumer Protection from Unfair Trading Regulations 2008 (SI 2008/1277), as well as *Principle 7 and the Consumer Duty (as applicable)* and *CONC 3.3.1R*, apply to communications and *financial promotions* in relation to *BNPL agreements*, including communications with *borrowers* under existing agreements.

...

...

5A Cost cap for high-cost short-term credit

...

5A.5 Consequences of contravention of the cost caps

...

Contravention of cost caps and unenforceability of agreements and obligations

...

- 5A.5.6 G *Firms* are reminded that ~~Principle Principle 6 and the Consumer Duty (as applicable)~~ applies apply to how they deal with the treatment of borrowers in relation to repayment of the *credit* required by *CONC 5A.5.2R*. The *FCA*

would expect ~~firms~~ *firms* to take into account the financial situation of the borrower in considering what is a reasonable period for repayment.

...

5C Overdraft pricing

...

5C.4 Impact of changes to charging structures

...

- 5C.4.2 G (1) A *firm* that makes changes as described in CONC 5C.4.1R should, in accordance with *Principle 6*, have due regard to the interests of existing *customers* ~~and~~, treat them fairly ~~and, in accordance with the *Consumer Duty*, act to deliver good outcomes for retail customers (as applicable)~~. An example of such a change is a change in a *customer's* overdraft limit.

...

...

5D Overdraft repeat use

...

5D.3 Interventions to be taken in the case of repeat users

...

- 5D.3.3 G (1) The purpose of CONC 5D.3 is to require a *firm* to intervene in an appropriate and proportionate manner where it detects repeat use of an overdraft with the aim of reducing that use and improving the *customer's* financial situation. A *firm* should keep in mind, when doing so, the principle that an overdraft is not generally suitable for long-term use that results in a high total cost burden, as well as the need to ~~pay due regard to the interests of its *customers* and treat them fairly in accordance with *Principle 6*~~ act to deliver good outcomes for retail customers in accordance with *Principle 12*.

...

...

Information provided to customers

- 5D.3.1 G When a *firm* identifies that CONC 5D.3.2R(1)(a) and (b) apply to a *customer*:

1

- (1) when engaging with *customers*, *firms* are reminded of their obligations to communicate with *customers* in accordance with ~~*Principle 12*~~ and ~~*PRIN 2A*~~ the *Consumer Duty*, or *Principle 7*, as applicable;

...

...

6 Post contractual requirements

...

6.7 Post contract: business practices

...

Authorised non-business overdraft agreements: reductions in credit limits

...

- 6.7.42 G A *firm* is not required to approve all requests from a *borrower* to reduce their *credit limit* or to terminate their *authorised non-business overdraft agreement*. When considering such a request, a *firm* should have regard to its ~~obligation to treat *customers* fairly~~ obligations under the *Consumer Duty*. In many circumstances ~~it would be unfair to require~~ requiring a *borrower* to retain an unwanted facility would not deliver good outcomes. The following are examples of when ~~it may be fair to refuse~~ refusing a request may deliver good outcomes:

...

...

7 Arrears, default and recovery (including repossessions)

...

7.3 Treatment of customers in or approaching arrears or in default (including repossessions): lenders, owners and debt collectors

...

Dealing ~~fairly~~ with customers in arrears or default

- 7.3.2 G When dealing with ~~*customers*~~ a *customer* in or approaching arrears or in default, a *firm* should pay due regard to its obligations under ~~*Principle 12* (*Consumer Duty*) and *PRIN 2A*~~, or *Principle 6* (Customers' interests) or the *Consumer Duty*, as applicable.

[Note: paragraphs 7.12 of *ILG* and 2.2 of *DCG*]

Forbearance and due consideration

- 7.3.3 G Where a *customer* under a *regulated credit agreement* fails to make an occasional payment when it becomes due, a *firm* should, in accordance with ~~*Principle 12 and PRIN 2A, or Principle 6, as applicable, the Consumer Duty*~~ – in particular, the consumer support outcome (*PRIN 2A.6*) and the cross-cutting obligation to avoid causing foreseeable harm (*PRIN 2A.2.8R*) – allow for such unpaid payments to be made within the original term of the agreement unless:

...

...

- 7.3.8 G An example of where a *firm* is likely to contravene ~~*Principle 12 and PRIN 2A, or Principle 6, as applicable, or the Consumer Duty*~~ (as applicable), and *CONC 7.3.4R* is where the *firm* does not allow for alternative, affordable payment amounts to repay the debt due in full, where the *customer* is in or approaching arrears or in default and the *customer* makes a reasonable proposal for repaying the debt or a *debt counsellor* or another *person* acting on the *customer's* behalf makes such a proposal.

[**Note:** paragraphs 7.16 of *ILG* and 3.7j of *DCG*]

...

- 7.3.10 G (1) An example of behaviour by or on behalf of a *firm* which is likely to
A contravene *CONC 7.3.10R* and ~~*Principle 12 and PRIN 2A, or Principle 6, as applicable, or the Consumer Duty*~~ (as applicable) is pressurising a *customer* to raise funds to repay a debt by arranging the receipt of a lump sum from the *customer's* pension scheme.

...

...

Information provided to customers

- 7.3.13 G (1) When engaging with *customers* in or approaching arrears or in default,
A *firms* are reminded of their obligations to communicate with *customers* in accordance with ~~*Principle 12 and PRIN 2A, or Principle 7 or the Consumer Duty*~~, as applicable.

...

...

7.7 Application of interest and charges

- 7.7.1 G When levying charges for debt recovery on ~~*customers*~~ a *customer* in default or arrears difficulties *firms* should consider their ~~obligation~~ obligations under *Principle 6* to pay due regard to the interests of *customers* and treat

them fairly and the requirement to act to deliver good outcomes for retail customers under the *Consumer Duty*, as applicable.

[Note: paragraphs 3.1 and 3.10 of *DCG*]

...

8 Debt advice

...

8.2 Conduct standards: debt advice

Overarching principles

...

8.2.2 G ...

- (2) Recommending a *debt solution* which a *firm* knows, believes or ought to suspect is unaffordable for the *customer* is likely to contravene *Principle 2*, *Principle 6* ~~and~~, *Principle 9* and the *Consumer Duty*, and may contravene other *Principles*. The *firm* should also take into account the expected term of the proposed *debt solution*, having regard to the *Principles*.

[Note: paragraph 3.26j of *DMG*]

- (3) An example of behaviour that is likely to contravene *Principle 6* and the *Consumer Duty* and may contravene other *Principles* in this field is for a *firm* to actively discourage a *customer* from considering alternative sources of *debt counselling*.

[Note: paragraph 3.23m of *DMG*]

...

8.3 Pre contract information and advice requirements

...

- 8.3.8 G (1) The information and advice referred to in *CONC* 8.3 should be provided in a manner which is clear, fair and not misleading to comply with *Principle 7* or the *Consumer Duty* (as applicable), and *CONC* 3.3.1 R, and should be in plain and intelligible language in accordance with *CONC* 3.3.2R. A *firm* should encourage a *customer* to read the information and allow sufficient time between providing the information and entering into the contract to enable the *customer* to seek independent advice if so desired.

[Note: paragraphs 3.21, 3.35 and 3.36 of *DMG*]

...

...

Context, purpose and anti-avoidance

- 8.3.10 G (1) *Firms* are reminded that when referring ~~customers~~ a customer to ~~debt solution providers~~ a debt solution provider, or carrying on related services, a *firm* must comply with its obligations under:
- (a) ~~Principle 12 (Consumer Duty)~~ the Consumer Duty to act to deliver good outcomes for *retail customers* ~~and/or or~~ Principle 6 (Customers' interests) to pay due regard to the interests of its customers and treat them fairly (as applicable); and

...

...

- (5) For the purposes of CONC 8.3.10G(1)(a), during the period to which CONC TP 8(6) to (7) applies, the *FCA* considers it unlikely that an increase in either the referral of *customers* to *debt solution providers* or carrying on related services, would be in accordance with *Principle 6* or ~~Principle 12~~ the Consumer Duty.

...

8.9 Lead generators: including firm responsibility in dealing with lead generators

- 8.9.1 G The *Principles* (in particular ~~Principle 6 and~~ Principle 7 and the Consumer Duty) apply to actions of a *firm* dealing with a *customer* who has been referred to it through a *lead generator*. For example, where a *firm* acts on a sales lead and knows or ought to know that the *lead generator* is using misleading information, advice or actions to obtain a *customer's* personal data is likely to amount to a breach by the *firm* of *Principle 6* and *Principle 7* and the Consumer Duty's cross-cutting obligation to avoid causing foreseeable harm (PRIN 2A.2.8R) (as applicable).

...

8.10 Conduct of business: providing credit information services

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Conduct

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- 8.10.4 G It is likely to be a contravention of the *Principles*, for example ~~Principles 6 and Principle 7, the Consumer Duty~~ (in particular, the cross-cutting obligations to act in good faith (PRIN 2A.2.1R) and to avoid causing foreseeable harm (PRIN 2A.2.8R)), where a *firm*:

Annex U

Amendments to the Perimeter Guidance Manual (PERG)

In this Annex, underlining indicates new text and striking through indicates deleted text.

8 Financial promotion and related activities

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8.17 Financial promotions concerning agreements for qualifying credit

...

Interaction with providing relevant consumer credit

...

- 8.17.20 G *CONC 3 contains rules about financial promotions relating to credit-related regulated activity. CONC 3 does not apply, however, to the communication, or approval for communication, of a financial promotion to the extent it concerns qualifying credit. MCOB 3A applies to the communication or approval of a financial promotion of qualifying credit. This means that a financial promotion about credit will not usually be subject to both MCOB 3A and CONC 3 unless it is about secured and unsecured lending. Guidance on the potential application of MCOB 3A and CONC 3 to particular types of financial promotion of credit is given in the table in PERG 8.17.21G. Firms must also comply with Principle 7 (a firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading) and the Consumer Duty (as applicable).*

...

Annex V

Amendments to the Wind-down Planning Guide (WDPG)

3 The concept and the process of wind-down planning

...

3.6 Impact assessment: who will be affected by a wind-down?

...

- 3.6.2 G The ~~obligation~~ obligations on *firms* to treat *customers* fairly or, where applicable, to comply with the *Consumer Duty*, ~~continues~~ continue to apply during the wind-down period. This includes, where relevant, considerations relating to *client monies* and *custody assets* (see *WDPG* 4.3 (Client monies and custody assets)) or the needs of potentially vulnerable *customers*.

...

App 1 Quick Reference Guide (QRG)

...

App 1.2 Main concepts

...

- App 1.2.4 G The ~~obligation~~ obligations on *firms* to treat *customers* fairly or, where applicable, to comply with the *Consumer Duty*, ~~continues~~ continue to apply during the wind-down period. This includes, where relevant, considerations relating to *client monies* and *custody assets* or the needs of potentially vulnerable *customers*.

...

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