

16 May 2024

Dear CEO/Director,

Implementing the Consumer Duty for closed products and services by 31 July 2024

The Consumer Duty (the Duty) sets higher standards for retail financial services customers. It is a core part of the FCA's strategy and gives effect to the cross-party mandate we were given by Parliament through the [Financial Services Act 2021](#).

Following publication of the [Finalised Guidance](#) in July 2022, the Duty came into force for open products and services in July 2023. We thank firms for the efforts they have put into their embedding work over the past two years. The Duty provides a valuable opportunity to improve confidence in the financial services industry and support innovation, healthy competition and growth. We have seen many firms embrace the shift the Duty brings, driving culture change and delivering good outcomes for consumers.

We gave firms an additional year to apply the Duty to closed products and services. This extension is designed to help firms with large numbers of closed products manage implementation at the same time as continuing to advance and learn from their work on open products and services.

In advance of the rules coming into force for closed products and services on 31 July 2024 we are writing to firms to support them in their final preparations. This letter sets out:

- application of the Duty to closed products and services;
- priority issues that are particularly acute or widespread in closed products and services;
- action prompts to ensure firms are prepared for the 31 July 2024 deadline for closed products and services (our [website](#) gives examples of good and poor practices for open products and services); and
- a reminder, in Annex 1, of the definition of closed products and services and an overview of the rules.

When the Duty comes into force for closed products and services firms need to make sure, and be able to show us, that they are acting to deliver good customer outcomes. We will be proportionate to the harm – or risk of harm - to consumers, prioritising the most serious breaches and acting swiftly and assertively.

We expect firms' senior management to carefully consider the contents of this letter and take steps to ensure their firm is compliant with the Duty by the deadline. We understand firms in some sectors may have no or very few customers with closed products and services, but we are circulating this letter widely to help firms consider broader distribution chains.

Application of the Duty to closed products and services

Firms must review closed products and services against all aspects of the Duty before 31 July 2024 and then on an ongoing basis. Boards will need to satisfy themselves that their firms have prepared adequately for the 31 July 2024 implementation deadline.

The Duty applies in full to closed products and services from the deadline. It does not apply to the past actions of firms. Instead, it applies to the ongoing actions of firms from 31 July 2024. For example, communications issued by the firm from 31 July 2024 for a closed product or service will need to comply with the Duty's higher standards.

However, there are some differences in the way the rules apply compared to products and services that are open for sale or renewal.

Importantly, the products and services outcome does not apply in the same way for closed products and services. For example, as there would be no further sales for a closed product or service, there are no requirements for firms to have a target market or distribution strategy, as there are for open products and services.

We cover other issues, such as how firms should consider fair value for closed products and services, and how the Duty applies where there are vested rights, below. In addition, see Chapter 3 of our [guidance](#) for firms on how the Duty applies to closed products and services.

Priority areas for firms to consider

With less than 3 months to go until the closed product deadline, we highlight below 5 key themes firms should already be considering. While these issues are not unique to closed products and services, they are likely to be more widespread or acute. This list is not exhaustive, but draws on our supervisory insights, together with feedback given to us through our engagement with firms, trade bodies and other stakeholders:

1. gaps in firms' customer data
2. fair value
3. treatment of consumers with characteristics of vulnerability
4. gone-away or disengaged customers
5. vested contractual rights

We want to thank those firms that are on track to comply with the Duty for closed products by 31 July 2024. For those with work to do, there is time to make any changes necessary. That includes ensuring both that your firm is compliant for its own activities and that it shares relevant information with other firms in its distribution chain to enable them to comply.

For more information:

- Read our [Finalised Guidance](#) and
- Visit our [Consumer Duty homepage](#) which has more information about the Consumer Duty, on-demand webinars and [podcasts](#), and the option to sign up for email updates.

If you feel your firm will not be substantially compliant by the July 2024 deadline, and/or if there are any significant issues that come to light you should contact us via your normal supervisory contact at the FCA as soon as possible. For the Supervision Hub please contact firm.queries@fca.org.uk.

For any areas of non-compliance, our expectations are that:

- Firms should be prioritising their reviews and taking actions in areas where there is the greatest level of harm / potential for harm. As part of this prioritisation, they should consider where such harm might be affecting vulnerable customers.
- Firms should have clear, timebound, resourced plans to address any gaps in implementing remedies where they have identified these are needed to ensure good outcomes.
- Firms should put in place clear mitigations to protect customers from known or possible harms in the period until they have fully implemented identified improvements.
- Firms' governing bodies should challenge their businesses on all the above.
- Firms should consider assurance work via an independent function, such as their internal audit function, on how they are implementing the Duty in due course.

Yours faithfully

Sheldon Mills
Executive Director of Consumers & Competition

Annex 1 – Definition and overview of the rules on closed products and services

For the purposes of the Duty, a closed product or service must meet both of the following criteria:

- 1) there are existing customers who took out a contract **before 31 July 2023**, and
- 2) the product or service hasn't been marketed or distributed (including by renewal) **on or after 31 July 2023**

Importantly, a product that was closed to new customers on or after 31 July 2023 is not a closed product for the purposes of the Duty. These products became subject to the Duty on 31 July 2023.

Examples of closed products and services might include: life insurance portfolios that have been acquired from other firms, a mortgage lender that has exited the equity release market but still has existing customers, an easy access savings account which is no longer on sale to new customers, or a 5-year structured product sold in 2022, with terms and conditions that aren't replicated into new launches.

An example of a closed service would be where a wealth manager used to have a mass affluent managed portfolio service as well as a separate high net worth service with different terms and conditions. Sometime before 31 July 2023, it chose to focus only on high-net-worth investors. It continues to manage portfolios for existing mass affluent customers but hasn't accepted any new mass affluent customers since the Duty came into force on 31 July 2023. The mass affluent service therefore meets the conditions to be a closed service.

Conversely, products and services that are unlikely to meet the closed product definition (and for which the Duty is therefore already in force) include: new issues of savings accounts or mortgage deals which have broadly the same terms and conditions but with different interest rates.

The Duty applies to both closed products and closed services. Services include those involved in carrying on a regulated activity or activities connected to providing a payment service or issuing electronic money. This covers all services including, for example, a distributor's sales processes, operating an investment platform, operating a model portfolio service, debt counselling services and arranging transactions.