

# Finalised Guidance

## Good and Poor Practice on identifying and rectifying harm

16/03/2026

### 1 Introduction

#### Overview

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- 1.1 The **Dispute Resolution: Complaints** (DISP) and the **Principles for Businesses** (PRIN) sourcebooks state that we expect firms to take reasonable steps to proactively identify and rectify problems to their customers caused by anything the firms have or have not done.
- 1.2 This good and poor practice guidance gives firms examples to help them understand how to comply with our rules, guidance and principles when they design their own redress exercises.
- 1.3 This document refers to 'redress exercises'. These can be done in various ways but is likely to include a firm taking one or more of the following proactive steps:
  - Considering its previous conduct.
  - Deciding if it owes remedial action to customers and if so,
  - Providing affected customers with the necessary remedy without the customer having to raise a complaint.
- 1.4 The core objectives of this document are to highlight good and poor practice to:

- Help firms understand how to proactively identify potential consumer harm.
  - Help firms take appropriate steps to resolve this harm, including proactively offering appropriate redress to consumers.
  - Encourage a more consistent approach between firms for firm-led redress exercises.
  - Provide guidance on how firms can communicate appropriately with consumers on these exercises, so consumers understand what is expected of them and what they can do if they are unhappy with the outcome.
- 1.5 The guidance applies to redress exercises of any scale and gives firms further guidance on how they can comply with their redress obligations under **DISP 1.3.3R** and **DISP 1.3.6G**, as well as under the Consumer Duty as set out in **PRIN2A.2.5R and PRIN2A.10**, as applicable. In **DISP 1.3.6G and PRIN2.A.2.5R**, the expectation is that firms should take appropriate action to rectify harm and give consumers an opportunity to get redress. This guidance gives firms flexibility in how to do this. It recognises that approaches may differ depending on each firm's circumstances, but our standards remain the same.
- 1.6 If a firm effectively identifies and rectifies a problem, this removes the need for customers to complain or refer complaints to the Financial Ombudsman Service ('the Financial Ombudsman'). This helps customers get redress quickly and effectively and may mean fewer complaints go the Financial Ombudsman.
- 1.7 This document does not replace the requirements in the Handbook and should be read in conjunction with our rules. Throughout this document we identify connected rules or guidance which firms may find relevant when considering what steps they should take.
- 1.8 This Guidance supplements that on the Consumer Duty ('the Duty') in [FG22/5 Final non-Handbook Guidance](#).
- 1.9 Firms may also find it helpful to read it in conjunction with the good practice and areas for improvement examples on [complaints and root cause analysis](#) published in December 2024. Firms can also refer to the guidance in **SUP 15.3.8G(4)** and **SUP 15.3.8AG to SUP 15.3.8CG** on when firms should consider notifying us of potentially serious redress issues.
- 1.10 We have given examples of 'good' and 'poor' practice, largely based on our experience of redress exercises from our supervisory work. There is not just one way to provide redress, and our rules are not prescriptive. These examples illustrate some of our expectations and how they link to compliance with our rules:

### Good practice

Where the good practice relates to a particular rule, it shows the practice is likely to be consistent with the relevant rules.

### Poor practice

Where the poor practice relates to a particular rule, it shows the practice is unlikely to be consistent with the relevant rules.

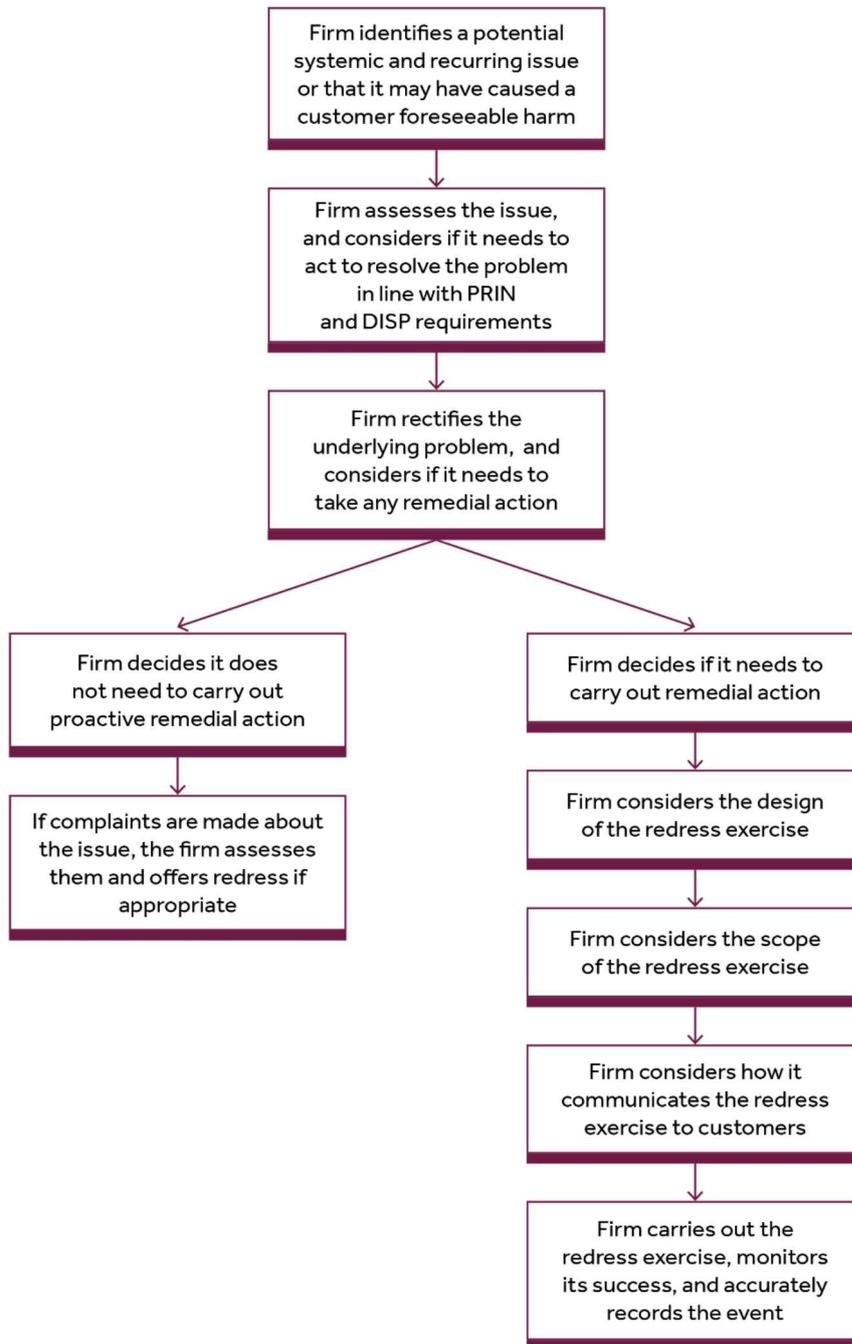
## Our rules and guidance for setting up redress exercises and firms providing redress

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- 1.11 Our rules and guidance are clear that firms should act in good faith and consider if they have caused foreseeable harm to consumers or identify recurring or systemic problems. If so, and if reasonable and appropriate, they should rectify the harm.
- 1.12 In this section, we set out the relevant rules and guidance covering a firm's duties to identify these issues and rectify them, including by setting up redress schemes and providing redress where appropriate.
- 1.13 **DISP 1.3.3R** requires firms to have appropriate management controls and make sure these controls are appropriate to identify recurring or systemic issues. It also requires them to take reasonable steps to remedy these problems where they cause complaints. What constitutes these 'reasonable steps' varies and can depend on the situation and issues firms identify. However, it is likely to include analysing the root causes common in several complaints, considering if they affected other processes or products and correcting these root causes, where reasonable to do so. **DISP 1.3.3BG** gives guidance on the types of processes firms can use to comply with **DISP 1.3.3R** and recognises these may vary. The Duty requires firms to act to deliver good outcomes for retail customers. Cross-cutting obligations arising from this include a requirement for firms to act in good faith towards retail customers (**PRIN 2A.2.1R**) and to avoid causing foreseeable harm (**PRIN 2A.2.8R**).
- 1.14 FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty provides further guidance on how we expect firms to apply the cross-cutting obligations in PRIN 2A.2. This includes:
- If a firm identifies it has caused customers harm, it must act in good faith and take appropriate action to rectify the situation. This includes considering whether remedial action, such as providing redress, is appropriate (PRIN 2A.2.5R).
  - The Duty is underpinned by the concept of reasonableness. So, when firms consider if they need to take remedial action, they should consider the standard that could reasonably be expected of a prudent firm carrying out the same activity for the same product. They should also consider the needs and characteristics of the retail customers in the relevant target market (PRIN 2A.7.1R).
- 1.15 When dealing with complaints, firms might also have regard to our findings on complaints and root cause analysis, which also include examples of good practice and areas for improvements.
- 1.16 When dealing with non-retail customers, firms should have regard to Principle 6. This requires a firm to pay due regard to the interests of its customers and treat them fairly. They should also consider Principle 7 which 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.
- 1.17 The Senior Management Arrangements, Systems and Controls Handbook (SYSC) is also relevant to a firm's obligations to carry out proactive redress. **SYSC 9.1.1R** requires a firm to maintain orderly records of its business and internal organisation. These records should be sufficient to enable us to monitor the firm's compliance with

its requirements. **SYSC 3.1.1R** requires firms to take reasonable care to establish and maintain systems and controls appropriate to its business. Though, in line with **SYSC 3.1.2G**, the nature and extent of the systems and controls will vary dependent on factors such as the nature, scale and complexity of the firm's business. **DISP 1.9.1R** further requires firms to keep a record of each complaint received and what they have done to resolve them. This should help in collecting management information relevant to SYSC and its analysis under **DISP 1.3.3R**, including through regular reporting to the senior personnel under **DISP 1.3.3BG(6)**.

- 1.18 These provisions mean that where a firm has identified recurring or systemic problems or that it has caused foreseeable harm it must assess whether remedial action is appropriate. This may be remedying the cause of the issue to ensure that it does not occur again, and/or it may involve offering customers remedial action.
- 1.19 Offering remedial action can be done as part of a redress exercise. The chapter on designing a redress exercise explains the steps firms can take, and the considerations and methods in setting it up. We use good and poor practice examples to further illustrate how firms can carry out their own redress exercises.
- 1.20 The below infographic outlines how firms could typically implement the DISP and PRIN provisions in simple solutions, including creating a redress exercise.



## 2 Root cause analysis and identifying potential systemic or recurring issues and harm

### Proactively identifying harm

- 2.1 For this stage, firms should also have regard to **DISP 1.3.3R** and **PRIN 2A.9.11R**, as applicable.
- 2.2 Firms need to identify at an early stage when harm has occurred and its extent. This section explains ways to do this.
- 2.3 When considering how to proactively identify harm, firms should first consider the types of data or information they could use.
- 2.4 [FG22/25](#) provides more information on firms' responsibilities under the Duty and the types of data they can use to identify potential issues. This includes considering customer behavioural insights, undertaking file reviews on a firm's products and services and considering feedback given to them by members of staff, their customers, and other parties in the distribution chain.
- 2.5 Our [review of root cause analysis](#) also gives examples of good and poor practice.
- 2.6 As part of their systems and processes, firms need to ensure they can identify when the root cause of a complaint is connected to a wider systemic or recurring issue. Having strong systems and controls to analyse these different data points will make it easier for firms to identify consumer harm.

#### **Good practice – how firms identify issues**

A firm has received a number of complaints about a similar issue. These complaints were referred to the Financial Ombudsman and upheld. The firm reviewed the Financial Ombudsman's decision, and identified other customers who had a similar problem. The firm decided to carry out a further investigation into these customers to determine if they were owed redress.

- A firm reviewed their complaints data each month to identify if there was a repeated issue that needed further investigation. They used a process to group complaints against what appeared to have caused them, giving them a high-level view on different types of complaints. One month, they identified that there had been a large increase in complaints about a similar issue. They decided to carry out a review into the issue to see if they needed to reconsider their approach to these complaints. On investigation, they decided they had followed the correct procedure, and didn't need to take any further action.
- This same firm also monitored for any trends or similarities when complaints were made. They identified a large surge in complaints on the same day in the previous month. They investigated to better understand what had caused this surge. They identified that the complaint coincided with a system change that

had meant customers were unable to access their accounts. As the issue was temporary and had not resulted in tangible harm to the firm's customers, they decided they did not need to take any further action to rectify the issue.

### **Good practice – systems firms had to identify issues**

#### **Good practice – A Central Complaints Forum**

- The firm had a central complaints 'forum' which was attended by subject matter experts across the business, including compliance officers, legal representatives, product and complaints team.
- The forum used their expertise to discuss trends and cases from across their business. The team then did a 'read across' to other functions and products to consider if harm has occurred in other areas in a similar way.

#### **Good practice – Central Data team**

- The firm had a central complaints data team, where all key metrics were fed into, including complaints data, social media reporting, sales data and customer data.
- The team would perform deep dives into products and services, and challenge business areas if they felt harm was occurring.
- The business areas were then able to use the data to conduct past business reviews to identify potential issues.

#### **Good practice – Using external help**

- An insurance firm conducted a risk analysis of their business and identified specific areas where consumer harm was most likely to occur, for example, during the sales process or claims handling.
- The firm used a third-party compliance consultant to help provide compliance oversight, and asked the consultant to focus its next compliance audit on these areas, so they could actively identify if harm had occurred. This then allowed them to act quickly if an issue was identified.

## **Assessing the extent of an issue**

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- 2.7 Once an issue is identified, firms will need to decide if they need to take action to rectify the situation, and if so, decide on an appropriate and reasonable approach. An issue may be best addressed by offering a redress award to affected customers if they suffered a loss, or, if there is no clear or minimal loss, this may be addressed by improving the firm's systems or processes to fix the issue, or both.
- 2.8 The appropriate response will depend on a range of factors. These include the issue's scale and complexity, the number and type of affected customers and the type and extent of the impact on consumers.
- 2.9 An informed decision on the correct remedial action, and whether redress is owed to consumers, is likely to require appropriate evidence and analysis by the firm of the issue's root cause and scale. This involves building a view of what has happened, who has been affected and the severity of the harm to customers.
- 2.10 When assessing this, key areas we expect a firm to consider include:

- What was the root cause of the harm?
- How many other customers may have been affected?
- Are any of these customers in vulnerable circumstances and if the issue may have affected these customers differently?
- Has the Financial Ombudsman published recent decisions on the same fact, pattern or issue? And if so, what remedial action did the firms consider and why?
- For how long has the issue been occurring?
- What are the available ways to rectify the issue for all affected customers?
- If financial compensation is appropriate, how should it be calculated and what would be the total estimated compensation amount?
- If non-financial remedial action is appropriate, how should it be assessed and what would be the impact on the firms of providing it?

## Appropriate governance

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- 2.11 In considering this stage, firms should also have regard to the following rules and guidance: **DISP 1.3.3R**, **SYSC 3.1.1R** and **SYSC 3.1.2G**, as applicable.
- 2.12 Firms must have appropriate management controls to make sure they identify and remedy systemic problems.
- 2.13 Reporting issues allows the firm's senior personnel to perform their role, in identifying, measuring, managing and controlling risks of regulatory concern. This allows them to take appropriate action to address the identified problem, including if the firm needs to carry out remedial action.
- 2.14 It is good practice to have clear systems and processes in place, so all colleagues know what issues they should report to the senior personnel, how to do this and when it is necessary. Firms may want to consider what information they will report to the senior personnel for them to carry out their function.
- 2.15 A good practice example of how firms have implemented governance requirements:

### Good practice – compliance board

- A firm had an overall compliance board, chaired by their Chief Risk Officer, which brought together key departments responsible for monitoring recurring and systemic issues. This included the complaints team, product teams, compliance and legal teams.
- This board had clear oversight responsibilities for redress issues, including overseeing redress exercises. This structure was clearly outlined in an easily accessible document, available to all colleagues, so they knew who they should report any issues to.
- When a colleague identified a recurring issue with their systems, they were able to report this issue to the compliance board. The compliance board were then able to estimate the number of customers affected, the cost of taking remedial action and the firm's plan to rectify the issue to prevent it happening again.

- This allowed the compliance board to easily assess the firm's response to the problem and formally agree the firm's approach. This was then recorded as part of the governing board regular meeting minutes.
- The compliance board asked for regular updates from their working level contacts, to monitor the redress exercise and ensure it resolved the issue satisfactorily. This included checking that the root cause had been addressed and that appropriate remedial action for customers was being taken.

## Appropriate systems and processes

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- 2.16 How firms comply with their governance requirements depends on factors like the nature, scale, and complexity of the business. For instance, the above good practice example may only be appropriate for complex and large-scale firms.
- 2.17 Smaller firms can still easily comply with these requirements. For example, we have seen good practice examples where:
- The Chief Compliance Officer was the main governing body for redress exercises.
  - Much smaller firms have enlisted a 'critical friend'. This was someone able to review their work and challenge their rationale for the redress exercise assumptions. At times, this was done with a third-party consultant.
- 2.18 Firms need to take appropriate action to rectify harm and give consumers an opportunity to obtain redress, regardless of firm size. However, we recognise firms may approach redress exercises differently, depending on their size, customer base or their regular communication methods with their customers.

## Interaction between the governing body and a redress exercise

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- 2.19 When designing a redress exercise, a firm must consider how it will oversee it. This includes making sure colleagues know how to report any problems and how the governing body will monitor the exercise's delivery.
- 2.20 For instance, we saw a good example of a firm asking its governing body to review the progress of a redress exercise and make key decisions. The decisions taken by the governing body included:
- The agreed scope of the redress exercise and any exclusions.
  - Their approach to remedial action, including how the firm intended to calculate any redress awards.
  - Their communication plan for customers.

## Notifying us

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- 2.21 Firms will need to decide if it is appropriate to inform us about the issue they have identified.
- 2.22 In line with Principle 11 (relations with regulators), firms must deal with us in an open and cooperative way. They must disclose to us anything relating to the firm of which that regulator would reasonably expect notice. This likely includes notifying us

when firms have identified a systemic or recurring issue or failed to prevent foreseeable harm and decided to proactively offer redress to impacted customers.

- 2.23 The **Supervision manual (SUP) 15.3.1R** requires firms to notify us in the most serious circumstances, especially when a firm expects to have to pay a high level of redress to customers. **SUP 15.3.8G(4)** and **SUP 15.3.8AG to SUP 15.3.8CG** provides additional guidance on when firms should notify us on potential recurring or systemic issues. **SUP 15.3.3G** also suggests that, when firms are deciding whether they should notify us of a potential event, they should consider both the probability of the event happening and the severity of the outcome if it does.

## 3 Designing a redress exercise

- 3.1 As outlined in the previous section, if firms identify systemic or recurring problems, or that retail customers have suffered foreseeable harm, then they must take appropriate action to rectify the situation. This may include undertaking a redress exercise.
- 3.2 This chapter focuses on how firms can design their own redress exercise and illustrates this through practical examples of good and poor practice we have seen.

### When to implement a redress exercise

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- 3.3 In considering this stage, firms should also have regard to the following rules and guidance: **PRIN 2A.2.5R**, **PRIN2A.7.1R**, **Principle 6**, **DISP 1.3.3R** and **DISP 1.3.6G**, as applicable.
- 3.4 Once a firm has identified there has been a recurring, systemic issue or that foreseeable harm has occurred, it should appropriately, proportionately and reasonably consider the right steps to rectify the issue.
- 3.5 This may involve the firm identifying all the affected customers and establishing if they have enough information to make a judgment. Firms may then write to these customers to inform them of the issue, and if appropriate offer them redress.
- 3.6 In other cases, firms may also decide, based on reasonable evidence, that a redress exercise is not required to resolve an issue. In these cases firms may, for example, decide it is appropriate to address the issue through complaints, as and when a customer makes one.

Good practice – Firms deciding if they need to carry out a redress exercise

#### **Good practice – Firms deciding if they need to carry out a redress exercise**

##### *Example 1:*

- An investment provider conducted a root cause analysis into a complaint about one of their products. In their investigation they realised they had breached the

requirement to carry out appropriate due diligence checks on client assets and that this led to many of their other customers experiencing a loss.

- They investigated the issue further, and established the extent of the exercise, including:
  - What the root cause of the harm was.
  - How many of their customers had been affected.
  - The steps they would need to take to rectify the issue.
  - What the total value of remedial action would be.
  - Whether any of their customers had already complained to them or the Financial Ombudsman Service.
- They used this information to report the event to their governing board, who oversaw redress issues. The governing board used the information to decide how they would proceed.
- The firm recognised their omission had affected a considerable number of their customers and had a serious financial impact. The firm's board decided they would design their own redress exercise and write to those customers explaining what had happened and offering them redress.

*Example 2:*

- An insurance firm identified that a system error had incorrectly priced their product for some of their customers. The firm carried out an assessment of the issue and realised it was a one-off event that lasted only 1 day and had only a minimal impact on the price offered to customers.
- The firm rectified the underlying system issue to make sure the error would not occur again, and then reported this information to their board.
- The board considered the report and decided they were satisfied the system error was resolved. But they decided as the event had only occurred over a short period, only affected a small number of their customers and had almost no impact on the price customers paid, that they would not carry out a proactive redress exercise.
- Instead, the firm wrote to the affected customers to inform them of the issue, and invited them to make a complaint, if they wanted to.

## Issues to consider when designing a redress exercise

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3.7 When designing a redress exercise, key considerations include:

- Defining the scope of the exercise
- Deciding on an approach to remedial action or redress.
- Communicating with affected customers.
- Keeping records of the exercise and the key decisions made
- Monitoring the effectiveness of the scheme and ensuring it operates successfully.

## Scope of exercise

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3.8 When designing a redress exercise, firms will need to consider the 'scope of the exercise'. This involves the firm deciding which customers may be owed remedial action and how to contact them. Firms will need to identify the appropriate

population of customers who may have suffered harm and the scenarios in which they are owed redress. This will involve making decisions on which customers are included and excluded.

3.9 Key parameters firms will usually consider when deciding the scope of their redress exercise include:

- Over what period of time the issue occurred.
- What products or services were affected by the issue.
- What types of customer may have been affected.

### **Good practice example**

#### *Example 1:*

An insurance firm identified that a change in its software system had resulted in some premiums being calculated incorrectly. It originally decided to only include customers from the date it identified the error. On further consideration, the firm realised the error had likely affected customers from before they identified the issue. So they undertook a further analysis to see when the error first began, and then identified all the customers that would have been affected from the start of the issue. The firm decided to include all these customers in the scope of their redress exercise to reflect the fact the issue had been ongoing.

#### *Example 2:*

In a firm's initial assessment of harm, they had incorrectly priced one of their products, which meant some customers had been paying more than others. They decided to review if the same issue had affected any of their other products, and found it had. So, they decided to extend their redress exercise to their other affected products to ensure the issue was completely rectified.

#### *Example 3:*

A firm decided to exclude a proportion of customers from their redress scheme. This was because the event that caused the harm occurred more than 6-years ago and the firm expected the customer to be time-barred. However, after reviewing the decision, their governing body highlighted that the customers may not have had the required knowledge of the issue and would not be time-barred. So, the governing board agreed to extend the redress exercise to include customers who were affected more than 6 years ago.

### **Poor practice example**

#### *Example 1:*

When deciding the date from which to start a redress exercise, a firm chose to include all sales made since the start of its previous financial year. The firm had not considered whether clients sold products before this date would also be affected. This meant many customers, who were likely owed redress, would not have been considered in the exercise, and the firm would not have truly rectified the issue.

*Example 2:*

A firm had multiple complaints about the same issue made to the Financial Ombudsman. The Financial Ombudsman found in the customers' favour in the majority of cases, so the firm decided to conduct a review into their product and customer base. They identified the issue was longstanding, and had affected a number of previous, but no longer current, customers. However, they decided to only include current customers in the exercise, without first trying to contact ex-customers, meaning many customers did not receive adequate redress.

*Example 3:*

A firm had multiple complaints on a similar issue made to the Financial Ombudsman, who decided in the complainants' favour in the majority of cases. The firm had other open complaints connected to this issue, so decided to assess them in line with the Financial Ombudsman's decisions, and offer the affected customers redress when it was appropriate. However, they chose not to identify other affected customers who had not yet made a complaint, even though the redress was significant. This meant the issue was not truly addressed.

*Example 4:*

A firm designed a redress exercise but decided to not pay out redress where the amount was less than £250. The firm did not conduct analysis of the circumstances of the consumers affected when deciding this threshold. This meant that any affected customers who would have received a redress payment of under £250 were excluded from the scheme. This meant many customers they had identified that had suffered harm were excluded, meaning their redress exercise was not effective in rectifying the harm.

## Scope of exercise: opt-in or opt-out approach

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- 3.10 When designing a scheme, firms will need to consider how they will inform their customers and what to do if customers are not sufficiently responsive. We usually see 2 approaches to this:

Opt-out approach

- This approach means all eligible consumers will be included in the redress scheme or past business review by default, unless they actively decline to participate. This approach is likely to lead to broader coverage. Firms will usually ask customers to contact them if they do not want to be included in the scheme

Opt-in approach

- This approach means that the consumer will need to choose to participate in the redress scheme. Those who choose not to be included, or do not respond, will have their cases excluded.

- 3.11 The opt-in approach creates friction in the process and some eligible individuals may not opt in due to lack of awareness, inertia or vulnerable characteristics. This means an opt-out approach is likely to lead to a higher participation rate and be more

inclusive. It is likely to be the more effective approach if the objective is to ensure that most affected customers receive any redress they may be owed. Firms may want to consider which approach best suits the circumstances that made the redress exercise necessary. For example, firms may conduct analysis of the consumers affected and consider the approach taken in previous published redress exercises, their own experiences and FCA interventions.

- 3.12 Where an opt-in approach is chosen, firms should clearly communicate to affected consumers what is expected of them and the consequences if they do not opt in. They should give consumers a reasonable amount of time to consider the details of the scheme and to opt in. It is good practice for firms to make it as easy as possible for customers to opt into the scheme. Firms should consider testing their communications with customers to maximise responses. Where firms are following an opt-in approach, they should ensure they undertake all reasonable measures to contact affected customers.
- 3.13 There are also schemes which blend these two approaches. For example, where a firm sets up a redress exercise and decides to follow an opt out approach, if after further investigation they identify other impacted customers, they may want to contact those customers to see if they want to opt in to the redress exercise.
- 3.14 Firms should also consider their Professional Indemnity ('PI') Insurance when designing a redress exercise. If firms rely on PI Insurance, they should ensure any scheme design and consent mechanism does not interfere with their ability to claim on their PI policy where necessary. For example, in an opt-out scheme where a consumer accepts the firm's redress offer, the text of the acceptance letter could be drafted in a way that ensures that accepting the offer is a valid claim for the purposes of the PII policy.

#### **Poor practice – opt-in approach**

A firm designed a redress exercise on an opt-in basis without considering the information needs of consumers, or the barriers they may face to responding. The firm planned to send only 1 letter to consumers. The firm had not considered the barriers consumers might face in responding to the letter or whether the timeframes for responding were reasonable. The firm had also not considered exceptional circumstances which may mean a consumer needs longer to reply. Additionally, the firm had not considered using multiple means of communication to try and contact consumers.

### Approach to remedial action or calculating redress

- 3.15 As part of a redress exercise, firms will need to consider how they rectify the issue. This can include offering a redress payment to customers or it may be taking steps to rectify an issue – or both.
- 3.16 There are a number of sources of information that may be relevant and useful as firms consider their approach. For instance, firms may want to consider similarities between the current case in hand and other complaints it has received, relevant FCA publications into markets or complaints and Financial Ombudsman decisions or information about similar cases or issues.

## Good practice – how firms have considered remedial action

### Good practice – financial award

- Due to a system error, an investment firm realised they had overcharged a group of customers for their service for 1 month.
- The firm decided that to put the customer back in the position they were in had the issue not occurred, it would need to return the additional charge to them.

### Good practice – non-financial award

- An insurance firm realised there was an unfair condition in their contract with a group of customers, but this contract had not caused the customers harm.
- The firm decided that to put the customer back into the position they would have been in if the issue had not occurred, they would need to remove the condition in the contract.
- The firm removed this unfair condition and wrote to the customers to explain why they had removed the term. They also provided the customers with a new contract.

## Help in calculating redress

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- 3.17 We will not usually provide guidance on how to calculate redress awards, which often depends on facts and context.
- 3.18 More generally, firms may find past examples of redress scheme rules or guidance useful in devising their own schemes. In particular, the scheme rules and complaints guidance set out in the following Appendices to DISP illustrate appropriate redress calculation approaches for the issues they dealt with:
- DISP App 1 Handling Mortgage Endowment Complaints.
  - DISP App 3 Handling Payment Protection Insurance complaints.
  - DISP App 4 Handling pension transfer redress calculations.
- 3.19 Firms may also want to consider if the customer has suffered any additional distress or inconvenience because of the harm.

# 4 Communication and transparency

- 4.1 In considering this stage, firms should also have regard to the following principles, rules and guidance: Principle 6, Principle 7 and PRIN 2A.5, as applicable.
- 4.2 During a redress exercise a firm must consider appropriate methods of communicating with affected customers. The next part of the guidance will discuss how firms can ensure their communications meet our requirements during a redress exercise.

## Designing a communication plan

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- 4.3 A communication plan is an outline of all the key information a firm will use to communicate with customers and helps firms comply with the consumer understanding requirement in the Consumer Duty. This includes customer contact details, timelines for when a firm will engage with those customers and key information that will help inform this engagement.

### **Good practice – communication plan**

When carrying out a redress exercise, a firm made a communications plan for how they would contact their customers, and included the following information:

- Key dates on when they would contact these customers and the method they would use.
- Details of any deadlines by which customers would have to provide further information.
- Draft templates that could be used to communicate with customers.
- Information for frontline staff about the redress exercise, in case they received questions about the issue.
- An agreed team or contact email for who would handle and resolve queries for affected customers.

## Appropriate communications to customers

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- 4.4 Redress exercises can be complex and difficult to explain to customers. This makes designing clear communication challenging, as firms may struggle to explain what has happened and how they have resolved the issue in a way that customers can understand.
- 4.5 This makes it important that firms take into account the customers' information needs when designing their communications. Firms should consider the following areas:
- Explain or present information in a logical way.
  - Use plain and clear language and, where they cannot avoid using jargon or technical terms, explain the meaning of them as simply as possible.
  - Make key information prominent and easy to identify, including through headings and layout, display and font choices, and by using design elements such as tables, bullet points, graphs, graphics, audio-visuals and interactive media.
  - Avoid unnecessary disclaimers.
  - Give relevant information with an appropriate level of detail, to avoid providing too much information which may prevent customers making effective decisions.
  - Give customers adequate time to respond to any communication.
  - Provide extra support for customers in vulnerable circumstances to ensure they are included. For example, extending deadlines for customers to provide information or to respond if they are unable to reply in time.
- 4.6 A firm may need to ask a customer for information to assess the harm they have suffered and calculate what redress might be due. Firms should only ask customers

for more information where it is reasonable for them to do so. Firms should also clearly explain why they are collecting the information and how they will proceed if the client does not provide it.

- 4.7 Chapter 8 of [FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty](#) provides further guidance on how firms can apply the Consumer Duty, and the consumer understanding outcome of Duty, when communicating with retail customers.

#### **Good practice – communicating with consumers**

- During a redress exercise, a firm identified they needed more information from their customers to assess their cases. They decided to write to all affected customers to explain they may be owed redress and why, but that they needed more information from them to be able to include them in the scheme.
- They were concerned that the redress exercise was complicated, so they wrote all their communications with the national reading age in mind.
- The firm initially considered excluding the customers who had not responded from the redress exercise. But they felt this would be unfair, as many may have had good reasons that prevented them replying. So the firm tried other contact details they had for the customers, to see if alternative channels got a response, including via email.
- After trying to contact their customers via email and their other contact details, the firm received further uptake and got the information they needed from most of the affected customers, enabling them to proceed with the redress exercise.

### Communicating with customers in vulnerable circumstances

- 4.8 Firms must consider the specific needs of customers with vulnerable characteristics. We have published guidance ([FG21/1](#) and [FG22/5](#)) on how firms can ensure these customers get outcomes as good as those for other customers.
- 4.9 Firms should refer to this guidance to ensure that a redress scheme meets the needs of vulnerable customers.

#### **Good practice – consumers in vulnerable circumstances**

- When designing a redress exercise, a firm identified that some of their customers were in vulnerable circumstances, so may not have been able to engage with the redress exercise in the same way as others.
- The firm also recognised that vulnerable customers are less likely to engage with the redress exercise, so decided to operate an 'opt out' approach, to ensure the majority of customers were included.
- As part of their standard letters to all the affected customers, they also included a clear message at the start of the communication. This asked customers to self-identify any issue that may mean they need reasonable adjustments to engage with the communications.

- They included this message in all subsequent communications with all affected customers. They also provided a direct phone number and email address for customers who wanted further support.
- These combined efforts ensured all affected customers were able to be included in the redress exercise and receive remedial action.

## Testing communications with stakeholders

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- 4.10 Where appropriate, firms must test their communications before sending them to affected customers. This will make sure communications are as effective as possible.
- 4.11 Firms may consider piloting communications with a representative sample of customers to test aspects of a proposed redress scheme before it is finalised, such as communication styles or the scope of the scheme. This can help firms identify practical issues and make necessary changes to the full exercise to ensure it successfully delivers good outcomes and maximises response rates.
- 4.12 When deciding if they need to test their communications, firms can consider the circumstances and complexities of the issue and their customer base to make a judgment on whether this is needed.
- 4.13 More information on how firms can test their communications is in paragraph 8.39 in [FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty](#).

### Good practice – testing communications

- An investment firm created a redress exercise, having failed to do adequate due diligence checks for the assets and funds that client funds were invested in.
- They realised the issue was complicated and not easy to understand, and were concerned that affected customers would not easily understand the issue.
- To remedy this, they decided to test their communications. They did this first with internal colleagues to ensure they understood the message the communication was trying to send, and then with a third-party consultant.
- The third-party consultant was able to do further checks and test their communications with a sample population similar to the firm's customer base.
- Based on this combined feedback, the firm then made changes to their communications. This ensured the quality of their communications and that their customers were able to understand the redress exercise and how they could engage.

## How customers may challenge your assessment

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- 4.14 Some customers may be unhappy with a firm's assessment. For instance, because they are unhappy with the firm's rationale for excluding them or they disagree with the redress offered. Firms may want to consider how customers can challenge their decision after they have been contacted. This would include explaining to customers, that if they disagree with the firm's assessment, then the customer can refer their case to the Financial Ombudsman.

### Good practice – communicating how customers may challenge a decision

When the firm wrote to the affected customers, they outlined:

- The harm that occurred.
- Their assessment of the case (including if the customer was owed redress and their rationale).
- They then explained that, if the customer disagreed with the assessment, they could call a specific number or email a specific team to discuss the issue.
- If after this, the firm and the customer still disagreed, then the firm explained they could take their case to the Financial Ombudsman for them to consider.

### Poor practice – communicating how customers may challenge a decision

A firm wrote to the affected customers, and explained:

- The harm that occurred.
- Their assessment (including if the customer was owed redress and their rationale).
- But the firm provided no explanation of how the customer could challenge the decision or ask further questions.
- Instead, affected customers had to contact the firm's complaints helpline to discuss the issue. Helpline staff were not aware of the issue and so were unable to help these customers.

## Further advice and guidance

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- 4.15 Annexes to Chapter 4 of the Consumer Redress Schemes Sourcebook (CONRED), on the British Steel Pension Scheme (BSPS) redress scheme, contain template letters firms were required to use.
- 4.16 Firms can refer to these letters' structure and general approach as examples of appropriate communication styles and level of information for consumers at various stages of a redress scheme, that may help them when designing their own communications.

# 5 Record keeping and monitoring redress exercise outcomes

- 5.1 In considering this stage, firms should also have regard to the following rules: **SYSC 9.1.1R** and **DISP 1.9.1R**, as applicable.
- 5.2 Firms must keep records of analysis and decisions taken by senior personnel in response to management information on the root causes of complaints.

- 5.3 It is good practice for firms to keep appropriate records to ensure they can easily explain what the harm was, how it happened and how it was resolved. This could include:
- How the firm identified the root causes of complaints and systemic issues.
  - How many customers were affected.
  - How many customers were excluded from the 'scope' of the exercise, who they were and why they were excluded.
  - What the remedial action was (if monetary, the total amount and the amount paid to each consumer).
  - Authorisation from the firm's governing body on the key decisions made, eg redress calculations, exclusions applied or remedial action taken
  - Copies of customer communications.
- 5.4 As part of these obligations, firms could also consider how they monitor the exercise and ensure it meets the scheme's objectives.
- 5.5 When monitoring a redress scheme's performance, firms could also consider what went well and what could be improved, to inform any lessons learned for later exercises.

#### **Good practice – record keeping**

As part of its record keeping process, a firm monitored the performance of its redress exercise. This included considering customer outcomes, and whether it achieved the firm's expectations. The firm collected information on:

- How many customers it had contacted.
- How many of these customers responded.
- If customers challenged any of its decisions or supplied further evidence that disputed its decision.

If it paid a redress award, it calculated how much it paid in total:

- The firm was able to use this information to consider if their redress exercise had achieved good consumer outcomes. For instance, it noticed that 1 customer had challenged its decision and provided further evidence on why they needed further remedial action.
- The firm considered this feedback, realised it applied to some of the other customers and was able to reconsider the redress awards it offered them.
- The firm also made sure it reported all this information back to its governing board, so the board was able to track how the firm responded and that it met its obligations.
- The firm also kept a clear record of the redress exercises, including information on how it assessed the issue and made key decisions. This gave it a depository of evidence that it could use in later redress exercises, to ensure they ran smoothly and efficiently.