

Consumer Duty

Compliance **confidence**
for visionary **growth**

Consumer Duty proposition

Consumer Duty was introduced with the intention of providing a higher standard of care for retail customers of financial services and to ensure that firms are focussed on delivering good outcomes for their customers and putting them first.

At the end of July 2022, the FCA published its final rules and guidance relative to Consumer Duty.

What is at the core of Consumer Duty?

Consumer Duty is based around three cross-cutting rules and four customer outcomes:

Three cross-cutting rules require firms to:



act in good faith towards retail customers



avoid causing foreseeable harm to retail customers



enable and support retail customers to pursue their financial objectives

The four customer outcomes are:



1. Products and Services:

This outcome requires firms to ensure that the design of their products and services meet the needs, characteristics and objectives of its target market, taking into consideration customers who may be vulnerable. In addition, this outcome requires firms to ensure that the distribution strategy for their products and services is appropriate for the target market.

2. Price and Value:

Firms must ensure that the price the customer pays for a product or service that is fair and reasonable compared to the overall benefits they receive (and any limitations attaching to the product or service).

3. Customer Understanding:

Firms must give customers the information they need, at the right time, and presented in a way they can understand. This is because they can only make informed decisions about a product or service and understand the risks, if they have full details of what they are buying. Information should be adequately tailored to suit the target market and the distribution channel.

4. Customer Support:

Firms are expected to design and deliver support that meets the needs of their customers, including those with characteristics of vulnerability, so that they can use and benefit from the products and services they have bought as expected.

What does this all mean for firms?

The FCA regards Consumer Duty as a “major shift in financial services” and is promoting it as a platform to highlight the importance of delivering good customer outcomes and having a customer-centric culture.

As the benefits of the Duty will only happen when lasting changes are made to processes and behaviours with firms, good intentions and aspirations must be converted into robust processes that deliver good outcomes for customers. In addition, firms must be able to evidence that they are doing this with regular reviews to demonstrate they are delivering good customer outcomes and making changes where deficiencies are identified.

Consumer Duty: advisory and consulting support

Consumer Duty audit

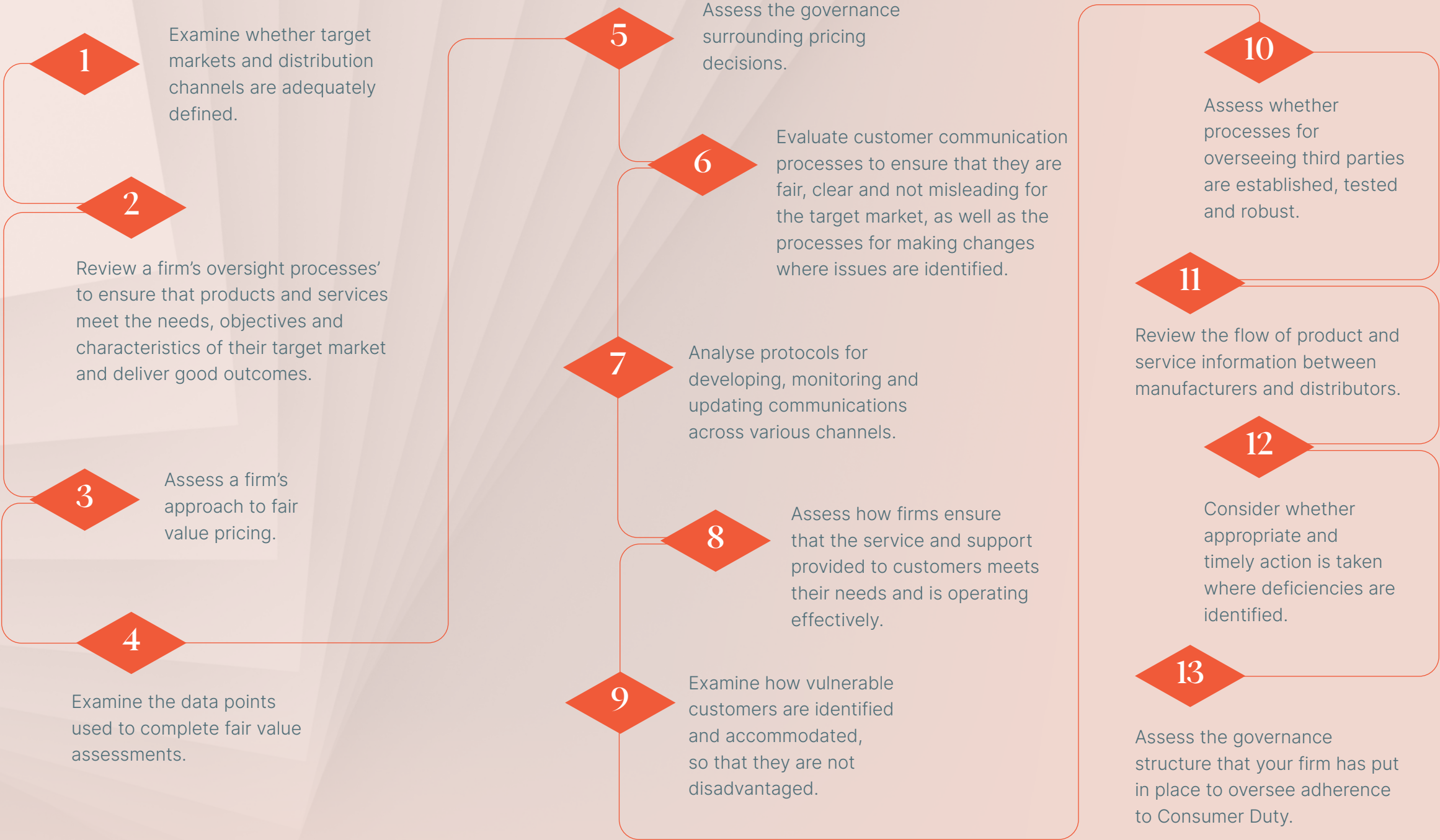
Cosegic’s Consumer Duty audit provides firms with an in-depth evaluation of their adherence to all of the Duty’s requirements. It will pinpoint areas where enhancements are required and also provide insights relative to the operation of a firm’s business, that can be used to streamline processes for better consumer outcomes.

Why carry out an audit?

Firms will benefit from an audit as it will enable them to identify and rectify potential areas of non-compliance and establish a baseline for continual improvement of customer-centric practices, with a view to ultimately avoiding regulatory censure or penalties.

In addition, it can provide a board with a clear picture of a firm’s alignment with Consumer Duty, helping them to make better strategic decisions. It will also support the board and senior management in demonstrating that they are taking “reasonable steps” to oversee the business and are committed to ensuring that customers come first.

Our audit process



Consumer Duty: advisory and consulting support

Outcomes testing policy and framework

Cosegic has developed an Outcomes Testing Programme ('OTP') that enables firms to assess whether they are delivering good outcomes for their customers and ensure that they meet the new requirements. The OTP will also help firms explore the effectiveness of the customer outcomes they are delivering and whether they are in line with the requirements and standards set by the FCA.

The process

An OTP framework should be embedded by all firms across the industry to provide an appropriate level of assurance, to a firm's board and senior management and ultimately to regulators, that the firm is delivering good customer outcomes and is committed to correcting control weaknesses and deficiencies.

Our OTP framework and advisory service will provide firms with an assessment and diagnostic tool to help them to assess the key Consumer Duty issues and provide risk-effective solutions by:

- Establishing a cohesive and collaborative approach to reviewing, monitoring and testing identified risks and control deficiencies which produce poor consumer outcomes.
- Developing effective mitigation strategies to 'correct' or re-align poor consumer outcomes by improving processes, procedures and tools.
- Identifying the areas of the business which could cause harm to the target audience and the firm.
- Understanding the root cause of poor consumer outcomes.
- Deploying appropriate intelligence strategies and data management to ensure systems and controls provide reliable and logical information to monitor the performance of the control and for reporting.
- Ensuring firms are ready, willing and organised to submit, upon request, any monitoring and testing of evidence-based outcomes improvement to the FCA.

Management Information (MI) and data:

Appropriate management information is crucial to evidencing that a firm on an ongoing basis is assessing and monitoring and reporting upon the delivery of good customer outcomes.

The FCA has issued numerous reminders that firms should be reviewing the data and MI they use to ensure that it is robust, appropriate and provides the board and senior management with the information it needs to oversee the delivery of good customer outcomes. Where

gaps in data MI are identified, firms should be making changes to existing information or commissioning additional reports.

We can help firms to identify the MI and data they need to assess and monitor that good customer outcomes are being delivered. We can also help firms to assess and analyse this information and put actions in place to improve customer outcomes where harms or gaps are identified.

Ad hoc support:

We can support firms with any aspect of Consumer Duty including:

- Independently testing communications preparing or reviewing fair value assessments.
- Assessing Consumer Duty policies including vulnerable customer policies.
- Helping with the preparation of the Consumer Duty board report.
- Reviewing product governance arrangements.

We can tailor our support to meet your specific requirements so that we focus our time appropriately and in line with your budget.

Consumer Duty: products and templates

Consumer Duty governance and policy templates

Cosegic has developed a suite of documents, policies and templates that will assist firms in ensuring that they are compliant with the new Consumer Duty. These are appropriate for all types of firms and can be tailored to provide individual firms with their own personalised, firm-specific Consumer Duty documentation.

Supporting templates and policies

- Product Governance Policy
- Product Governance Approval Template
- Conflicts of Interest Policy
- Vulnerable Customer Policy
- Consumer Duty Policy

Board report template and support

Firms are required to provide an annual board report detailing how the firm is delivering good outcomes for its customers and meeting Consumer Duty requirements. The FCA expects that this report will be a comprehensive internal governance exercise where firms challenge' themselves on whether they are delivering good customer outcomes for each of the three cross-cutting rules and the four Consumer Duty outcomes. It should not a simple attestation.

Our Consumer Duty board report template will help your firm to demonstrate and evidence compliance with Consumer Duty rules, setting out a framework to help you document the risks and issues identified in delivering good customer outcomes and the actions the firm has taken, or plans to take to address them.

Training

Our Consumer Duty online training course is 45 minutes in duration and is designed to give all staff a comprehensive overview and understanding of what the Consumer Duty is and why it has been introduced. It explains the cross-cutting rules and the four outcomes, including examples which will help staff recognise how they and their firm can provide good outcomes, or could cause potential harm to customers.

The course also highlights the FCA's expectations in relation to how firms handle vulnerable customers and explores the link between Treating Customers Fairly (TCF) and Consumer Duty. At the end of the course there is an assessment that will allow staff to test their knowledge, as well as a certificate issued on successful completion of the test.

We also provide bespoke Consumer Duty training that can be delivered face-to-face or online.

Would you like to know more?



If you would like to learn more about our different offerings and how they can help your firm meet its Consumer Duty requirements, then please contact our Consumer Duty Lead, Jennifer Cahill.

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