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THE FCA'S CONSUMER DUTY

AN ACTION CHECKLIST
FOR RETAIL FINANCIAL SERVICES FIRMS

The long-anticipated Consumer Duty was published on 27th July 2022. The new rules are extensive and the deadlines for action are challenging.

Firms need to move quickly and at Voyc, we're here to help. That's why we've produced this checklist, to provide an overview of the steps that need to be taken - and by when.

The key deadlines are:

01

All regulated firms should now have completed their plans for implementation of the Consumer Duty – **by 31st October 2022.**

02

The Consumer Duty rules will apply to new and existing products and services available for sale to customers – **from 31st July 2023.**

03

The rules will apply to existing products and services no longer available for sale but still held by customers – **from 31st July 2024.**

The Consumer Duty: a recap

The Consumer Duty sets out to put the best interests of customers at the heart of every retail financial services firm. It takes expectations for customer care to a higher level than before, requiring firms to consider the outcome of every action they take from the point of view of customers of all kinds.

Our rules require firms to consider the needs, characteristics and objectives of their customers – including those with characteristics of vulnerability – and how they behave, at every stage of the customer journey. As well as acting to deliver good customer outcomes, firms will need to understand and evidence whether those outcomes are being met.

Para. 1.16: **FCA Policy Statement PS22/9: A new Consumer Duty**

Scope of the new rules

The overall aim of the Consumer Duty is captured in the Consumer Principle (FCA Principle 12) that reflects the standards the FCA now expects of firms:

A firm must act to deliver good outcomes for retail customers

Under the Consumer Principle, there are three Cross-cutting Rules, that firms should observe throughout their business operations:

1. **Act in good faith towards retail customers.**
2. **Avoid causing foreseeable harm to retail customers.**
3. **Enable and support retail customers to pursue their financial objectives.**

Areas for Action

Guided by the Consumer Principle and the Cross-cutting Rules, firms should ultimately and visibly deliver the Consumer Duty through the following **four Outcomes:**

Products and Services
Price and Value
Consumer Understanding
Consumer Support

And to achieve the FCA's required standards in these four outcomes, the Consumer Duty also expects firms to take clear and measurable action in the following two key control functions:

- Culture and Governance
- Monitoring Outcomes

The four Outcomes and two control functions highlighted above form the framework of the Action Checklist, set out below.

The aim of this Checklist is to provide firms with an overview of the actions that they should now take.

These actions should already be covered in each firm's Implementation Plan and then implemented fully by 31st July 2023 (for new and existing products and services on sale) or 31st July 2024 (for products and services no longer on sale).

In addition to taking the various actions shown, firms should be prepared to demonstrate clearly that these actions have been taken.

We hope that you will find this Checklist useful.

Please note, however, that it is in no way intended to replace the need for firms to understand and act upon the full and highly detailed rules and guidance that the FCA has published concerning the Consumer Duty:

Policy Statement PS22/9: A new Consumer Duty. Feedback to CP21/36 and final rules, July 2022

Finalised Guidance FG22/5: Final non-Handbook Guidance for firms on the Consumer Duty

How Voyc can help

Voyc enables regulated firms to monitor 100% of the phone and email interactions taking place in their customer contact centres.

It's an extremely fast and reliable way to identify and manage potential compliance breaches - via automated alerts that are sent for immediate action to designated members of your QA team and contact centre management.

We've identified many ways in which Voyc can help you to monitor and report on customer outcomes as clearly required by the new Consumer Duty. In the checklist below we've highlighted those steps where Voyc can help you.

To find out more, without obligation – or to arrange a live demonstration, using your own customer data, just contact us here.

We'll be delighted to help you further.

FCA Consumer Duty: Action Checklist

*Areas where Voyc can help are highlighted

Outcome 1: Products and Services

Each regulated firm should:

- [ ] Clearly specify the intended target market for every product or service manufactured and/or distributed – as precisely as required to avoid including any consumers for whom the product or service is unsuitable.
- [ ] Ensure that every product or service is well designed to meet the needs of consumers in the stated target market and performs as expected for them. This should include adequate consumer research and testing.
- [ ] Examine whether any product or service has features that could present a risk of harm to customers with vulnerable characteristics and make suitable changes to any product or service should that be the case.
- [ ] Share and exchange all appropriate information with other firms in the distribution chain, to enable all parties to fulfil their obligations under the new Consumer Duty.
- [ ] Ensure that all agreed distribution strategies for each product or service are being correctly followed, to reach the specified target market appropriately.
- [ ] Clearly identify the data and management information that the firm will use to monitor on an ongoing basis whether each product or service continues to meet the needs of its stated target market. Specify how frequently this monitoring will take place.
- [ ] Take and record appropriate action in any case where a product or service no longer meets the needs of the target market as intended.

- [ ] In the event of a product or service being withdrawn from the market, fully consider whether this could lead to consumer harm. If so, take appropriate actions to mitigate that risk.
- [ ] Draft and regularly review the contract terms of products and services to ensure compliance with the fairness requirements of the Consumer Rights Act 2015.

Outcome 2: Price and Value

Each regulated firm should:

- [ ] Conduct assessments to ensure that products or services manufactured and/or distributed represent fair value, taking account of all relevant factors and available data – including information from any other firms in the distribution chain.
- [ ] Benchmark the price and value of its products and services against similar offerings in the market, as part of its fair value assessments.
- [ ] Ensure that the price and value of its older products do not fall out of line with the overall market as time passes.
- [ ] Check that its products and services are fair value to different groups of consumers in its target markets, including those with vulnerable characteristics. ✓
- [ ] Ensure that pricing is fair for each group individually, in cases where different groups are charged different prices for the same product or service.
- [ ] Record all actions taken as a result of fair value assessments and monitor these actions to ensure they deliver improved consumer outcomes. ✓
- [ ] Clearly identify the data and management information used to monitor the fair value of its products and services. This information should be reviewed regularly and appropriate action taken if it is no longer suitable for its intended purpose. ✓

Outcome 3: Consumer understanding

Each regulated firm should:

- [ ] Design, test and manage all customer communications to deliver good customer outcomes with the same effort and to the same standards as applied to generating sales and revenue. ✓
- [ ] Use appropriate insights and testing to ensure that customers have the right information to make the right decisions for the best outcomes, throughout the customer journey. ✓
- [ ] Ensure that appropriate research and testing are used and acted upon to support the effectiveness and good outcomes of all customer communications.
- [ ] Adapt, develop and test for effectiveness, customer communications as required to satisfy the needs of customers with characteristics of vulnerability. ✓
- [ ] Ensure, using testing, that its customer communications are equally effective across all communication channels used.
- [ ] Clearly identify the data and management information used to monitor the ongoing impact of its communications on customer outcomes. This information should be reviewed regularly and appropriate action taken if it is no longer suitable for its intended purpose. ✓

Outcome 4: Consumer support

Each regulated firm should:

- [ ] Ensure that customer support effectively meets customer needs and achieves good customer outcomes on an ongoing basis, regardless of the channel of delivery. This should be supported by testing customer outcomes across different channels. ✓
- [ ] Clearly specify the data, MI and customer feedback that is used to monitor the impact and effectiveness of customer support on customer outcomes - including the frequency of monitoring and actions to be taken as a result. ✓

- [ ] Assess whether its customer support is meeting the needs of customers with characteristics of vulnerability and clearly identify the data and management information that is used to support that assessment. ✓
- [ ] Ensure that it is as easy for customers to switch between or leave its products and services as it is for them to buy them in the first place. ✓
- [ ] Check that the customer support it provides post-sale is as effective as the support provided pre-sale. ✓
- [ ] Supervise and monitor all outsourced or third-party service providers and ensure their performance levels meet the standards required by the firm under the Consumer Duty. ✓

Control function: Culture and Governance

Each regulated firm should:

- [ ] Ensure that the firm has a stated purpose (whether published externally or not) that aligns with its obligations under the Consumer Duty and is fully embedded and understood throughout the organisation.
- [ ] Promote an internal culture that consistently supports the delivery of good customer outcomes. ✓
- [ ] Ensure that individuals throughout the organisation, at all levels of seniority, understand their specific roles in delivering the Consumer Duty.
- [ ] Empower and encourage all staff to raise issues in any case where they feel the firm might not be acting in the interests of good customer outcomes. Ensure that such notifications are fully respected, listened to and acted upon as appropriate. ✓
- [ ] Ensure that the Consumer Duty is fully considered in all strategic and governance areas including corporate strategy, remuneration, risk and internal audit.
- [ ] Define good outcomes for customers using its products and services, over the short, medium and long term.

- [ ] Ensure that quality management information is available to monitor the delivery of good customer outcomes in line with reasonable customer expectations and address any gaps on an ongoing basis.
- [ ] Align remuneration and incentive structures with the aim of delivering good customer outcomes. ✓
- [ ] Monitor changes in the market and external environments on an ongoing basis to ensure that the organisation remains fully aligned with the Consumer Duty and the delivery of good customer outcomes.
- [ ] Identify any groups of customers where consumer outcomes are below the standards required and promptly address the shortfall, including clear objectives, allocation of responsibility and required timescales. ✓

Control function: Monitoring Outcomes

Many of the monitoring requirements in the Consumer Duty have already been covered in this Action Checklist.

Essentially, the Consumer Duty requires firms to:

- [ ] monitor its delivery of good customer outcomes at every stage of the customer lifecycle. ✓
- [ ] clearly identify any instances where outcomes are delivered that are inconsistent with the aims of the Consumer Duty. ✓
- [ ] have clear processes in place to correct these inconsistencies by making changes to any area of policy and operations – including in the areas of Products and Services, Price and Value, Consumer Understanding, Consumer Support and Culture and Governance. ✓
- [ ] provide evidence of its ability and performance in all the above areas, to the FCA, whenever reasonably requested to do so. ✓

The FCA's guidance specifically requires firms to monitor and proactively respond to shortfalls in customer outcomes relating to customers with characteristics of vulnerability or other protected characteristics – such as age and disability.

The Consumer Duty is the most significant development in UK financial services regulation for many years - demanding swift and comprehensive action on the part of the UK's regulated firms.

At Voyc, we hope that this Checklist helps you to identify and complete the key actions that you need to take in your business – in readiness for the full implementation dates in 2023 and 2024.

In addition to the highlighted steps in the checklist, we're here to help in an area that, for many firms, will be key to fulfilling their obligations under the Consumer Duty:

Monitoring 100% of customer interactions in consumer contact centres – to identify and respond to every compliance issue and poor customer outcome.

We've identified and started to implement many ways to support you in meeting the rigorous new requirements of the Consumer Duty. To find out more, including how you can arrange a free demo of the Voyc software, using your own data, simply contact us here.

We'll be delighted to help you further.