



Consumer Duty FCA Podcasts

June 2023 - V1.0

PUBLIC



Powered by:

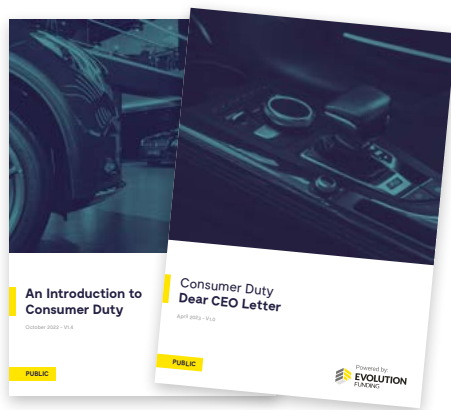
EVOLUTION
FUNDING

Disclaimer

The information provided is for guidance only. It is not legal advice and must not be relied upon as such. You are solely responsible for ensuring you meet the regulatory requirements of your business.

FCA Podcasts

This is the 3rd in a series of Consumer Duty updates for our introducers, following our introduction to the duty in October, and 'Dear CEO Letter' update in April.



[Click to view - An Introduction to Consumer Duty](#)

[Click to view - Dear CEO Letter](#)

You will have recently received a reminder from the FCA that the new Consumer Duty rules will apply from 31st July. They have also included links to a range of useful resources that they have made available.

The deadline is fast approaching so we have been working hard behind the scenes to gather information that we can share with you to support your implementation plan. In this edition, we look at a series of podcasts the FCA have published on their [Consumer Duty homepage](#). Each podcast focuses on one of the four key outcomes that firms need to deliver and assess under the duty.

We found the content of these podcasts useful to pinpoint the areas to focus on in line with the FCA's expectations. We have provided an overview of these podcasts below, though we would recommend that you look at the full content, the audio and transcripts can be accessed using the links provided.



1. Inside FCA Podcast: What is the Consumer Duty price and value outcome?

[Click to view - What is the price and value outcome?](#)

Discussion on “the importance of firms assessing their products and services to ensure there is a reasonable relationship between the price paid for a product or service and the overall benefit consumers get from it.”

Three elements of a good value assessment framework:

- 1 The product assessment – assess the price the customer pays compared to the benefits they would get.
- 2 Different customer groups or cohorts – check if there are any groups or cohorts of customers that are paying different charges, are those groups getting fair value for how they are using the product and the price they are paying?
- 3 What is driving the price – look at similar products within your own portfolio and across the market to benchmark the price of the product, does it offer fair value against that benchmark and if it's not in line can you justify why?

The cost that a customer pays for a product is made up of charges, including:

- The price or fee that a manufacturer charges, and
- any fees or commissions charged by distributors or intermediaries.

By now you should have received ‘manufacturers information’ from us and your lenders. You will need to ensure your fees, commission or charges are fair value for the service you are providing. You can find information on our Credit Broking Service on our Consumer Duty Resource Hub.

[Click to view - Consumer Duty Resource Hub](#)



2. Inside FCA Podcast: Understanding the Consumer Duty products and services outcome.

[Click to view - Understanding the Consumer Duty products and services outcome](#)

The FCA “explain the detail behind the outcome, the FCA’s expectations - including how firms should test target markets - and the importance of identifying vulnerable customers.”

Products and services:

- Should be designed for your defined target market and to avoid causing foreseeable harm or affect customers including those that are vulnerable.
- Should be monitored to ensure they are working as expected and being sold to the right customers.
- Oversight of your products and services should be able to identify problems and lead to action being taken to deliver good outcomes, including amending your target market or distribution strategy.
- The target market should only be customers that will benefit from your product or service and can be broad.

“The target market should be defined in enough detail to avoid including any groups of customers who would suffer harm from that product or service.”



3. Inside FCA Podcast: Explaining the Consumer Duty consumer understanding outcome.

[Click to view - Explaining the Consumer Duty consumer understanding outcome](#)



The FCA explain why the consumer understanding outcome is necessary, what their expectations of firm communications are and what you should be doing to monitor and evidence understanding.

This outcome is about how you communicate with customers. Customers should be given all the information they need at the right time and in a way, they can understand, to support them to make informed decisions. The customer should understand benefits and costs to make sure products meet their needs and avoid them from experiencing poor outcomes. This should reduce complaints and drive healthy competition in the market.

You should consider your customer journey holistically and how you package up all the information. Each communication doesn't need to be tailored to the individual, but it should be right for the target market. Look at how you communicate with customers to provide product explanations:

- Does the information need simplifying to make it more digestible?
- Do you signpost or is there more you need to do to support outcomes?
- Recognise that some customers will be in vulnerable circumstances, and may need additional support such as, large font, extra time to consider the information or more contact points to help them understand it.

You need to keep monitoring and testing communications to make sure they are effective, learn from the results and improve over time. Test the customers understanding by asking specific questions relating to the information you are providing, not just asking if they understand.

Examples of metrics that you can use are:

- customer response rates,
- analysis of responses to communications,
- take up rates following communications,
- complaints data.

The FCA will look at how you adapt communications for customers with characteristics of vulnerability and how you know the process is effective. Where you have different channels are they equally as effective and how do you test this. What data and feedback you use to monitor communications.

Have a plan in place, prioritise work on the areas that could cause the most harm and have ongoing monitoring in place.



4. Inside FCA Podcast: What does the Consumer Duty consumer support outcome mean?

[Click to view - What does the Consumer Duty consumer support outcome mean?](#)



The FCA talks about the principles behind the consumer support outcome and how you should review your customer journeys to achieve good outcomes for customers.

The FCA wants to see customers getting the support they need when they need it. After sale support should be as good as pre-sale support and you should clearly communicate the support, you offer. You should be able to provide some support through your different channels and for fully digital journeys you should make sure you have ways of dealing with non-standard issues and customers in vulnerable circumstances.

Under Consumer Duty the FCA expects firms to create “Positive friction” where appropriate in their journeys. This means slowing down the customers purchase and ensuring they don’t rush their decision so safeguarding customers against harm e.g. pausing a process to ask questions and check the customers understanding. Barriers or “sludge” shouldn’t discourage Customers from doing things such as making a complaint. The FCA expects you to review your customer journey to consider the impact on the customer to drive the right outcomes.

You should be able to evidence that you are providing appropriate support, using data such as, complaints, average call waiting times, customer satisfaction (surveys), customer behaviour.

When a customer does have a poor support experience, the FCA expect you to “act promptly and fairly, providing redress where appropriate to deliver good outcomes for customers.”

As always Evolution Funding are here to support you with any regulatory change. We hope you find all the information we have given you helpful in getting to grips with Consumer Duty requirements.

If you have any questions please speak to your Account Manager.

Evolution Funding Risk & Compliance Team