



Consumer Duty- Initial Briefing Factsheet

V1.1

Prepared by Hayleigh Morris

Background

Following their initial consultation on a Consumer Duty (the Duty) in 2021, the FCA released their long-awaited Policy Statement ([PS22/9](#)) and Final Guidance ([FG22/5](#)) in July 2022 which aims to set higher and clearer standards on consumer protection across financial services.

The Duty requires you to put your consumers' needs first and produce communications that consumers can understand, provide fair-value products and services that meet consumer needs and provide consumer support when they need it.

Top Ten Takeaways for BVRLA Members

1. Implementation Timeline

The Consumer Duty rules and guidance will come into force on a [phased basis](#), and the originally expected due date for new and existing products and services has been extended in the Final Guidance:

- For new and existing products or services that are currently open to sale or renewal the rules will come into force on the **31 July 2023**.
- For closed products or services, no longer open to sale or renewal, the rules will come into force on the **31 July 2024**.
- **By the end of October 2022**, firms' boards (or equivalent management body) should have assessed and signed off your implementation plans.

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- **By the end of April 2023**, manufacturers should meet the requirements of the four outcome rules and have shared information with their distributors. **For many of the Consumer Duty requirements manufacturers will have to work to shorter implementation deadlines.**

2. Board Approval of the Implementation Plan

The FCA have addressed risks and challenges in the implementation of the Consumer Duty by taking an assertive approach to the implementation period. The FCA has set out an expectation that firms' boards (or equivalent management body) should maintain oversight of the implementation work to ensure it remains on track and meets the standards of the Duty. This oversight should include sign off of the Implementation Plan by the firms' board (or other equivalent supervisory body). There is potential that the FCA will ask for evidence of firms' implementation plans- and how the planned changes will ensure that they meet the Duty outcomes.

3. SM&CR requirements

The FCA has confirmed that every Senior Manager should:

- Be clear about what you are responsible and accountable for,
- Be clear about how you are ensuring that the business of the firm complies with the requirements of the Duty on an ongoing basis and
- Be able to answer how your role plays a part in delivering good outcomes for consumers.

The New Conduct Rule, Rule 6, imposes a high and more exacting standard of conduct and in all conduct rules staff are expected to 'act to deliver good outcomes for retail consumers' where the products and services offered fall within the scope of the duty.

4. Governance requirements

The FCA will now consider evidence of an individual's understanding of actions taken to comply with the Duty when they are considering individuals for approval.

Under the Consumer Duty, there is now a requirement for firms to have a champion, at Board level (or equivalent management body), who ensures that the Consumer Duty is raised and discussed regularly with any appropriate follow up action taken.

The main focus should be **delivering good outcomes** and this should be at the centre of your strategy and business objectives.

See [CONC 2A.8.1](#) for further information.

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5. Manufacturer/Distributor

The policy paper gives examples to help to explain the FCA's expectations from Manufacturers and Distributors, however the concepts are deliberately broad.

Manufacturer: a firm which creates, develops, issues, and/or designs products

Distributor: a firm which offers, sells, recommends, advises on, arranges, deals, proposes or provides a product or service including at renewal.

6. Outcome monitoring and oversight

To ensure that your firm is meeting the expectations of the FCA under the Consumer Duty, you should consider reviewing management information (MI) in the following areas:

- Root-cause analysis of complaints and trends
- Analysis of consumer use of and satisfaction with products and services
- Consumer retention information
- Email, digital and call answering timelines and abandoned contact rates
- First contact resolution rates- how often are consumer queries handled within the first instance of contact?
- Consumer call recording reviews and training exercises
- Net promoter scores

The FCA will require you to evidence that you are:

- **Assessing** by monitoring and regularly reviewing outcomes that consumers are experiencing
- **Testing** where consumers are not getting good outcomes and why
- **Evidencing** the outcomes received
- **Adapting** and changing products, services, policies and practices to address risks or issues identified

A report on the above should be produced annually. This should be added to your Compliance Monitoring Plan.

7. Additional reporting requirements

You are now required to notify the FCA should you recognise that another firm in your distribution chain is not complying with the Consumer Duty.

You are also required to notify other firms in the distribution chain if you believe they have caused or contributed to harm to consumers.

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A written procedure will need to be documented for this, including how breaches are identified. This should also outline who is responsible for deciding whether a particular incident is reportable or not. The FCA will ask for justification should a breach that you deem unreportable come to their attention through another channel.

8. Ancillary Activities

The policy and final guidance include the FCA's approach to applying the Duty to unregulated activities which are ancillary to regulated activity. The FCA has addressed feedback that the application of 'ancillary activities' was too broad by defining them as 'unregulated activities necessary for the competition of a regulated activity' and specified that this could include, for example, the design of a product or service and ongoing consumer support services which are necessary activities linked to the regulated product.

9. Distribution Chains

Where there are distribution chains, the guidance confirms that unless there are regulatory requirements or contracts require it, firms are responsible only for their own activities and do not need to oversee the actions of other firms in the chain.

10. Plan for Your Next Steps

The FCA's release of the Policy Statement and the Final Guidance has considered feedback from stakeholders on areas of uncertainty and has addressed concerns raised by the BVRLA. You should now have enough information to start assessing how the Consumer Duty will apply to your firm and how you are going to get your firm set in time for the required deadlines and the BVRLA are here to support members with that.

Current resources produced by the BVRLA, including Industry Outlook webinars, can be found on the [BVRLA Website](#), along with the detail of any future events on the Consumer Duty.

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Contact

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References

[FG22/5](#) Final non-Handbook Guidance for firms on the Consumer Duty- July 2022

[PS22/9](#) A new Consumer Duty Feedback to CP21/36 and final rules- July 2022

Version	Owner	Date
1.0	Hayleigh Morris	18 th August 2022
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