



# Consumer Duty one year on

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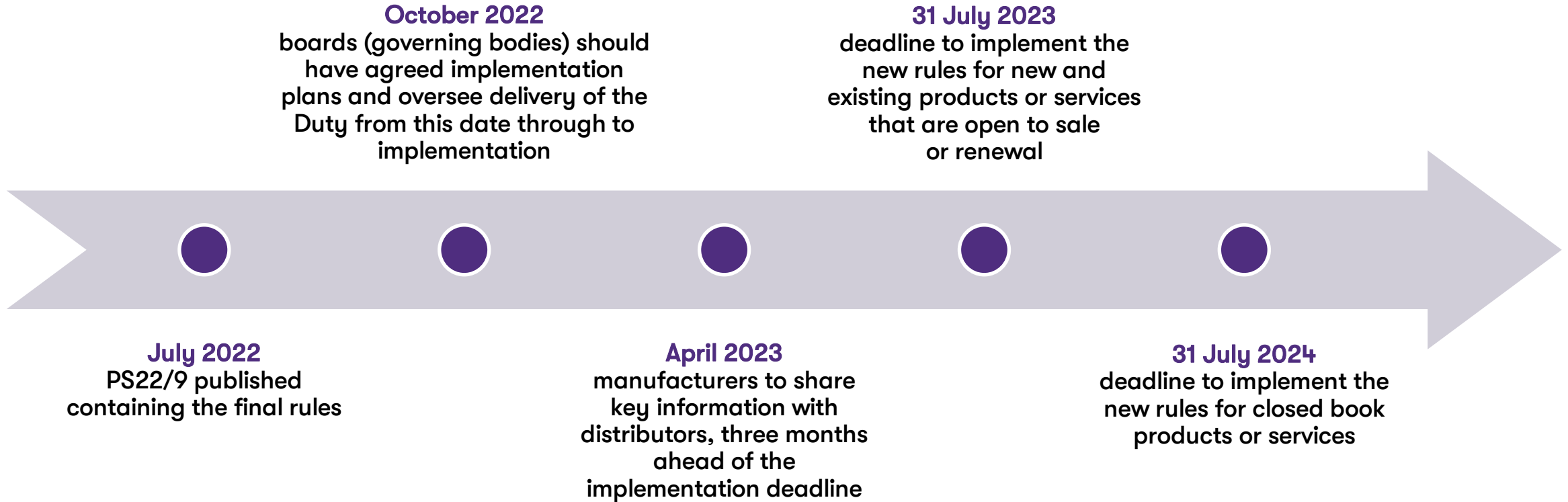
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# Key milestones



Over two years on from the Policy Statement, the FCA’s supervisory use of the Duty is well and truly under way

# Why did the Consumer Duty come to pass?

## FCA frustrated by evidence of continued poor practice:

Firms providing information which is misleadingly presented or difficult for consumers to understand, hindering their ability to assess products/services properly and make good, timely decisions

Products and services that are not fit for purpose in delivering the benefits that consumers reasonably expect or are not appropriate for the consumers to whom they are targeted and sold

Products and services that do not represent fair value, where benefits consumers receive are not reasonably relative to the price they pay

Poor customer service that hinders consumers from taking timely action to manage their financial affairs and making use of products and services or increases their expense in doing so

Other practices which hinder consumers' ability to act, or which exploit information asymmetries, consumer inertia, behavioural biases or vulnerabilities

TCF / conduct risk = negative assurance re poor outcomes



Consumer Duty = positive assurance of good outcomes / harms avoided

# Consumer Duty – A package of changes

## Consumer Principle

An overarching principle which sets out the overall standards of behaviour the FCA wants from firms.

*‘A firm must act to deliver good outcomes for retail clients.’*

## Cross-cutting Rules

Rules that develop the FCA’s overarching expectations for common themes that apply across all areas of firm conduct.

Firms must:

- **Act in good faith toward retail customers**
- **Avoid foreseeable harm to retail customers**
- **Enable and support retail customers to pursue their financial objectives**

## Four Outcomes

The FCA has set out Rules and Guidance for each of the following four Outcomes:

- **Outcome 1 – Products and services**
- **Outcome 2 – Price and value**
- **Outcome 3 – Consumer understanding**
- **Outcome 4 – Consumer support**

**What have we learned  
over the last 12 months?**

# FCA's key messages: 31 July 2024

At the end of July this year, marking one year of Consumer Duty, the regulator hosted a webinar to reflect on the Duty's impact.

## The FCA highlighted ongoing work on:

- Savings products
- GAP insurance
- Target market
- Vulnerabilities
- Employee bonus structures
- Proactive communications and rewriting communications
- Increase in digital wallet payments and reference to AI

## The FCA also announced that it would publish a grid of their forward program of Consumer Duty work, focusing on three main areas:

- Harm / potential harm
- Information on embeddedness and challenges faced
- Sharing information on best practice.

## As well as continuing work on:

- Clear focus on price and value
- Outcomes monitoring
- Complaints data and broadly support a data led approach
- Culture
- Mapping out customer journeys



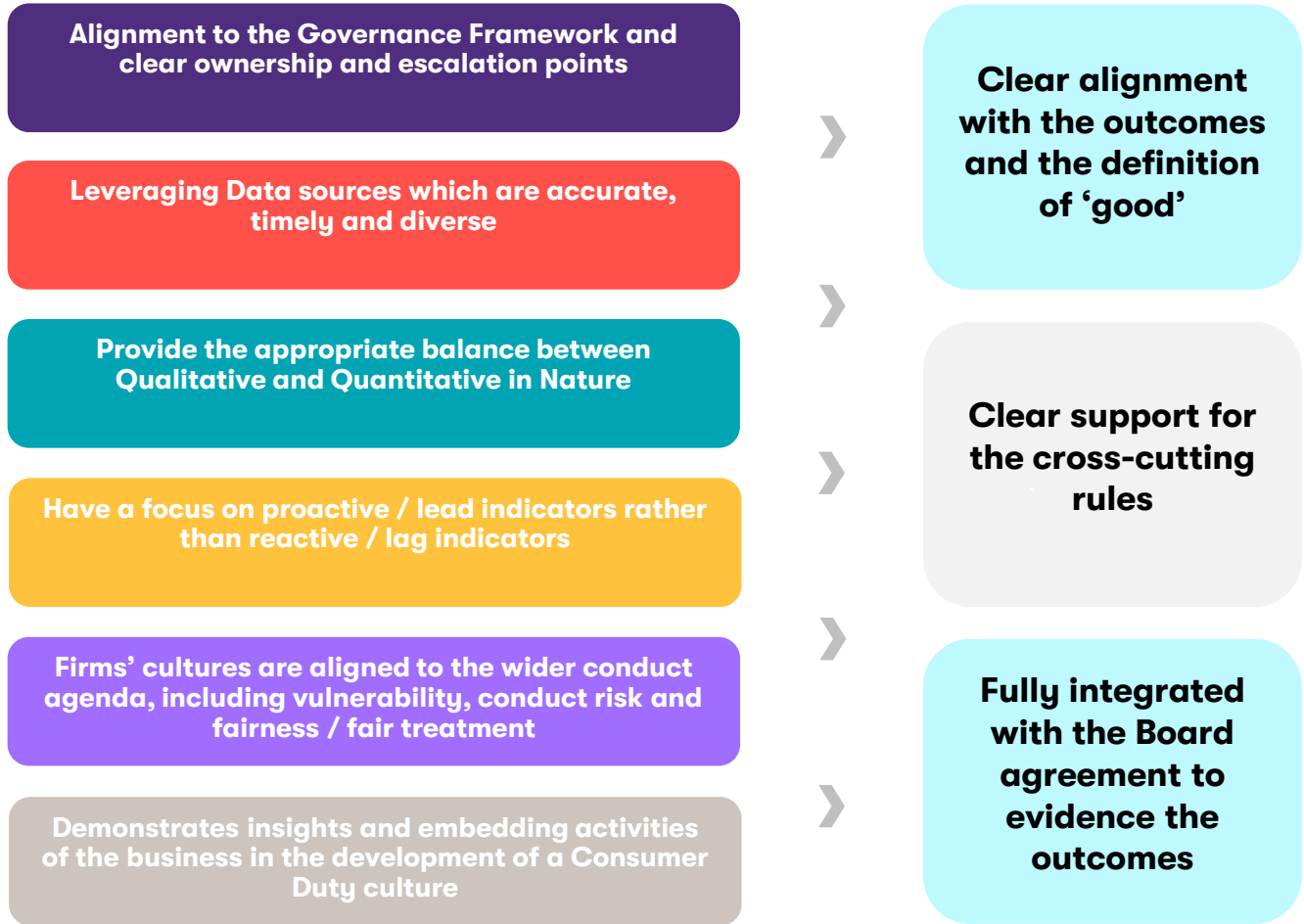
# The Cross-Cutting Rules

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

- **The Cross-Cutting Rules highlight the need to consider the Consumer Duty holistically**
- **It is not a matter of individually addressing each of the Four Outcomes or of only looking at the Consumer Duty during relevant conduct-related activities, such as fair value assessments**
- **Effective outcomes monitoring is vital to support and evidence compliance with these rules**
- **The Cross Cutting Rules have been included to the FCA's Conduct Rules.**



# MI inputs for effective outcomes monitoring



# Products & Services and Price & Value

- **The most prominent early area of focus for regulatory intervention – particularly in the insurance sector but also in areas such as cash savings or wealth and investments**
- **These have included both product-specific interventions and more general use of the FCA’s supervisory powers**
- **Many firms are struggling to convincingly evidence how and why their product and service offerings meet customer demands and needs and offer fair value**
- **There remains an ongoing focus on remuneration, particularly within elongated or complex distribution chains**



# Consumer Understanding

- **One of the more challenging areas of the Duty to evidence effectively – how do you prove what customers do and don't understand?**
- **It's not just about removing jargon – but that is an important start**
- **Consider the customer journey as a whole – not just the words in the relevant communications, but the structure, order and timing of them**
- **Be more proactive and make better use of data**





# Consumer Support

- **Includes a significant focus on vulnerable customers – but applies to all customers**
- **Treatment of customers in financial difficulty – consider lessons from the COVID pandemic**
- **Referenced by the FCA in relation to issues such as fraud or cyber-attacks where these have caused customer harm**
- **Consider the capability of your staff to have difficult conversations with customers**



# What next for firms?

# Likely future developments

- **As shown on the right, the majority of the FCA's key publications to date have focused on the Products & Services and Price & Value outcomes. It therefore seems likely that there will soon be further engagement with the other areas of the Duty**
- **Repeated cycles of the annual Board assessment process will allow firms to embed and mature this process, as well as keeping up with evolving regulatory expectations**
- **How can firms turn the Duty into a benefit rather than a burden?**

Title	Date
Price and Value Outcome: Good and Poor Practice update	September 2024
Consumer Duty firm survey – Autumn 2023	February 2024
One month to go for the Consumer Duty	June 2023
Consumer Duty firm survey – Spring 2023	June 2023
Consumer Duty: Findings from our review of fair value frameworks	May 2023
Consumer Duty implementation plans	January 2023
PS22/9: A new Consumer Duty	July 2022
FG22/5: Final non-Handbook Guidance for firms on the Consumer Duty	July 2022

# Likely future developments

- **Will the rules themselves evolve?**
- The FCA has launched a Call for Input on whether the more principle-based approach of the Duty renders some of its more granular rules redundant
- There is also a Discussion Paper on amending the Duty's perimeter in relation to insurance – a similar approach could occur in other sectors
- **Will other international regulators adopt similar rules?**



# What next for customers?



# What benefits will customers notice?

- **The FCA wanted to see a ‘paradigm shift’ with the Consumer Duty – have firms really delivered on that so far?**
- **A common theme in FCA frustrations so far is that activities such as fair value assessments or outcomes monitoring appear to be resulting in limited tangible changes to firms’ products and services**
- **Are financial products and services going to become simpler and easier to understand and use?**
- **Does the FCA just want to make everything cheaper?**





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