

Key Questions to guide discussions on a firms' governance arrangements and the Duty

Overview

In July 2023 the Financial Conduct Authority (FCA) launched Consumer Duty. The FCA hopes the Duty will fundamentally improve how firms serve consumers. It has set higher and clearer standards of consumer protection across financial services and require firms to put their customers' needs first.

The Duty is made up of an overarching principle and new rules, firms will have to follow. It will mean that consumers should receive communications they can understand, products and services that meet their needs and offer fair value, and they get the customer support they need, when they need it.

The FCA expectations of firms under the Duty are:

- put consumers at the heart of their business and focus on delivering good outcomes for customers
- provide products and services that are designed to meet customers' needs, that they know provide fair value, that help customers achieve their financial objectives and which do not cause them harm
- communicate and engage with customers so that they can make effective, timely and properly informed decisions about financial products and services and can take responsibility for their actions and decisions
- not seek to exploit customers' behavioural biases, lack of knowledge or characteristics of vulnerability
- support their customers in realising the benefits of the products and services they buy and acting in their interests without unreasonable barriers
- consistently consider the needs of their customers, and how they behave, at every stage of the product/service lifecycle
- continuously learn from their growing focus and awareness of real customer outcomes
- ensure that the interests of their customers are central to their culture and purpose, and embedded throughout the organisation
- monitor and regularly review the outcomes that their customers are experiencing in practice and take action to address any risks to good customer outcomes
- ensure that their board or equivalent governing body takes full responsibility for ensuring that the Duty is properly embedded within FIRM X, and senior managers are accountable for the outcomes their customers are experiencing, in line with their accountability under the Senior Managers and Certification Regime (SM&CR)

Purpose

This document provides a summary of the FCA's Consumer Duty requirements in respect of the key questions referenced in FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty. It includes what firms can expect to be asked in their interactions with the FCA in relation to their governance arrangements and the Duty. The FCA would expect the Duty champion and the Chair of firms to use these types of questions to guide discussions by the firm's board or equivalent governing body (reference in FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty).

The Products and Services Outcome

Key Questions	FIRM X Response	Evidence
How has FIRM X specified the target market of its products and services to the level of granularity necessary?		
How has FIRM X satisfied itself that its products and services are well designed to meet the needs of consumers in the target market, and perform as expected? What testing has been conducted?		
How has FIRM X identified if the product or service has features that could risk harm for groups of customers with characteristics of vulnerability? What changes to the design of its products and services is it making as a result?		
Is FIRM X sharing all necessary information with other firms in the distribution chain, and receiving all necessary information itself?		
How is FIRM X monitoring that distribution strategies are being followed and that products and services are being correctly distributed to the target market?		
What data and management information is FIRM X using to monitor whether products and services continue to meet the needs of customers and contribute to good consumer outcomes? How regularly is it reviewing this data and what action is being taken as a result?		
Where FIRM X is planning to withdraw a product or service from the market, has FIRM X considered whether this could lead to foreseeable harm? What action is it taking to mitigate this risk?		

The Price and Value Outcome

Key Questions	FIRM X Response	Evidence
Is FIRM X satisfied that it is considering all the relevant factors and available data as part of its fair value assessments? Has it gathered relevant information from other firms in the distribution chain?		
What insight has FIRM X gained for its value assessments by benchmarking the price and value of its products and services against similar ones in the market? Have the price and value of its older products kept up with market developments?		
Can FIRM X demonstrate that its products and services are fair value for different groups of consumers, including those in vulnerable circumstances or with protected characteristics?		
If FIRM X is charging different prices to separate groups of consumers for the same product or service, is FIRM X satisfied that the pricing is fair for each group?		
What action has FIRM X taken as a result of its fair value assessments, and how is it ensuring this action is effective in improving consumer outcomes?		
What data, MI and other intelligence is FIRM X using to monitor the fair value of its products and services on an ongoing basis? How regularly is it reviewing this material, and what action is it taking as a result?		

The Consumer Understanding Outcome

Key Questions	FIRM X Response	Evidence
Is FIRM X satisfied that it is applying the same standards and testing capabilities to ensure communications are delivering good customer outcomes, as they are to ensuring they generate sales and revenue?		
What insights is FIRM X using to decide how best to keep customers engaged in their customer journey, whilst also ensuring its customers have the right information at the right time to make decisions?		
How is FIRM X testing the effectiveness of its communications? How is it acting on the results?		
How does FIRM X adapt its communications to meet the needs of customers with characteristics of vulnerability, and how does it know these adaptations are effective?		
How does FIRM X ensure that its communications are equally effective across all channels it uses? How does it test that?		
What data, MI and feedback does FIRM X use in its ongoing monitoring of the impact of its communications on customer outcomes? How often is this data reviewed, and what action is taken as a result?		

The Consumer Support Outcome

Key Questions	FIRM X Response	Evidence
How has FIRM X satisfied itself that its customer support is effective at meeting customer needs regardless of the channel used? Does FIRM X test outcomes across different channels?		
What assessment has FIRM X made about whether its customer support is meeting the needs of customers with characteristics of vulnerability? What data, MI and customer feedback is being used to support this assessment?		
How has FIRM X satisfied itself that it is at least as easy to switch or leave its products and services as it is to buy them in the first place?		
How has FIRM X satisfied itself that the quality of any post-sale support is as good as the pre-sale support?		
What data, MI and feedback is FIRM X using to monitor the impact its consumer support is having on customer outcomes? How often is this data monitored, and what action is being taken as a result?		
How effective is FIRM X's monitoring and oversight of outsourced or third-party service providers, and is it confident that these services meet the consumer support standards?		

Culture and Governance

Key Questions	FIRM X Response	Evidence
Does FIRM X's purpose (whether publicly articulated or not) align with its obligations under the Duty? How is it embedded and understood throughout the organisation?		
How does the organisation's culture support the delivery of good outcomes for customers?		
How does the organisation ensure that individuals throughout the organisation – including those in control and support functions – understand their role in delivering the Duty?		
Are staff empowered and feel safe to challenge and raise issues where they feel FIRM X might not be acting to deliver good outcomes for customers? Are those challenges listened to, and where necessary, acted on?		
Is the Duty being considered in all relevant discussions such as strategy and remuneration? Are customers outcomes a key lens for Risk and Internal Audit?		
How is FIRM X ensuring that its remuneration and incentive structures drive good outcomes for customers?		

Customer outcomes

Key Questions	FIRM X Response	Evidence
Is the organisation prioritising acting to deliver good outcomes for customers? Are there any areas of concern?		
How is the external environment changing, and how will that impact on the organisation's ability to deliver good outcomes for customers?		
Has FIRM X identified the key risks to its ability to deliver good outcomes to customers and put appropriate mitigants in place?		
How does FIRM X define good outcomes (over the short, medium, and long term) for customers using its products and services?		
What data does FIRM X have about its customers and how they use its products? Are there any gaps in the data? What steps is FIRM X taking to address them?		
What outcomes are customers getting? Are they getting good outcomes which align with their reasonable expectations?		
Are certain groups of consumers getting different outcomes, and if so, why? What's driving any adverse outcomes?		
What actions is FIRM X taking to improve outcomes? (Who's accountable for this work, what will improvement look like and when will it happen?)		