

Consumer Duty Report – The Clock is Ticking

Much like the Doomsday Clock, which counts down to the likelihood of a human-made global catastrophe, the Consumer Duty Clock is getting ever closer to midnight, when the first annual board report will be due.

The steady move away from rules-based (and therefore, ‘tick-box’) regulation has been progressing for years. With the introduction of the Consumer Duty, the FCA made a decisive shift towards ‘outcomes-based’ regulation.

PRIN 2A.8.3R sets out the requirement that an authorised firm must prepare a report for its governing body. PRIN 2A.8.4R sets out the detail and the timing of this report.

It must be produced and signed off at least annually. The first report must be approved before 31st July 2024, as that marks the first anniversary of the introduction of the Consumer Duty for active products.

In signing off the report, the board has to review and approve the outcomes being received by retail customers, confirm whether it is satisfied that the firm is complying with its obligations and assess whether the future strategy is consistent under the Consumer Duty.

The board must also agree on action required to address identified risks, or action required to address poor outcomes experienced by customers, and whether changes to the future business strategy are required to ensure it is consistent with delivering good consumer outcomes.

For some, this may not be a straightforward task.

The board report largely relies on the requirement to monitor the outcomes being experienced by consumers. If this monitoring has not been carried out regularly, then it immediately compromises the integrity of the report.

It’s widely accepted that compliance with the Consumer Duty is more of a journey than a destination. The FCA has repeatedly said it’s not a ‘one and done’. I believe there is a general expectation that not all firms will get it right first time – and that may be OK, provided the intent to ensure good consumer outcomes is clearly evidenced.

Under PRIN 2A.9.1 R, there is a general obligation to monitor the outcomes that consumers are experiencing from their products. This means that firms should have put measures in place which allow them to evidence the outcomes being experienced by consumers.

These measures should have been in place at the time the Consumer Duty was implemented last year, so in theory most firms should have near to a year’s worth of data to report on.

There is no set list of items that a firm must, or should monitor, but these are some things which would be sensible to include and will apply to many firms:

- Business persistency rate,
- Training and competency delivery and results,
- Outcome of file reviews/quality monitoring,
- Evidence of customer understanding – including testing results where applicable,

- Customer support – information such as response rates/telephone waiting times and any system outages,

There are a few templates for the Consumer Duty report, which can be found online, but it is worth noting that none of these have been sanctioned by the FCA.

Personally, my favoured suggestion for the structure of the report is as follows:

- Executive summary,
- What the MI shows are the best and worst performing areas against the Consumer Duty,
- Changes made in the preceding year in response to the Consumer Duty and/or the outcomes monitoring,
- Work still to do and any agreed actions (potentially RAG rated if applicable),
- Review of the Future Business Strategy and if it aligns with the requirements of the Consumer Duty,
- A section to record formal board approval,
- An appendix containing all of the detailed MI.

Along with board minutes and a structure chart, I expect the latest Consumer Duty Report to be one of the first things requested when the FCA carry out some form of visit or assessment of your firm.

Article written by:

Phil Lewis, Head of Compliance and Risk

Source Insurance

