


Consumer Duty: the latest from the FCA

15 December 2023  Tim Johnson

On 6 December 2023 the FCA ran a webinar on the next steps for Consumer Duty. We have summarised the key points of the session from an insurance perspective.

The primary point conveyed throughout the webinar was that Consumer Duty is not a 'once and done' exercise. Rather, it is an ongoing duty.

Key points that the FCA wants firms to focus on included:

- Using new data to measure and monitor Consumer Duty outcomes. Focusing on evidencing that the appropriate outcomes are being delivered.
- Overhauling communications to improve customer clarity and increase customer understanding.
- Product suitability.
- Ensuring complaints are dealt with fairly and effectively and that firms learn from root causes.

The FCA referred to the 31 July 2024 deadline for the Consumer Duty coming into force in relation to Closed Products and Annual Board Reports.

Closed products

These are products which are not on sale to new customers. The FCA said that it is taking closed products seriously and that the Consumer Duty is still just as important for closed products. As they are not on sale to new customers the target market piece is not needed.

The FCA expressed a desire to support firms in the implementation of the Consumer Duty for closed products. Challenges in the life insurance sector were noted including a lack of fair value and some policies which were written in the 1980s and 1990s having clauses which were of their era and the difficulties in how to bring these old clauses up to date.

Annual board reports

The FCA has set out in its rules that at least once a year boards must review whether the firm is delivering good outcomes for its customers. This assessment should include the results of monitoring whether products and services are delivering expected outcomes in line with the Consumer Duty - and any evidence of poor outcomes.

Before any subsequent report is signed off, the board needs to agree the actions required to address any identified risks of poor outcomes and agree whether any changes to the firm's future business strategy are required.

This assessment will be part of the evidence that the FCA uses to assess a firm's ongoing compliance with the Consumer Duty. Firms will need to be able to provide it, and the management information that sits behind it, on request.

The FCA reiterated that the three cross cutting rules and the four outcomes are key to the Consumer Duty.

Three Cross Cutting Rules

- Act in good faith towards your retail customers.

- Avoid foreseeable harm to your retail customers.
- Enable and support your retail customers to pursue their financial objectives.

Four Outcomes

- products and services.
- price and value.
- consumer understanding.
- consumer support.

The FCA emphasised that the correct approach is to start with the desired outcomes and not to use data to justify the current outcomes. It stressed the importance of understanding the different outcomes that different customers experience and ensuring that all customers, including vulnerable customers, receive good outcomes.

The FCA said that fewer products were removed from the market due to poor value than it had expected. Reference was made to GAP Insurance and that only 6% of premiums are used to pay claims, with significant commission percentages paid to brokers.

The FCA was pleased that progress has been made in relation to vulnerable customers, with increased accessibility for hearing and visually impaired customers. The FCA was also pleased to see a focus on customers with low financial literacy. It would like to see customers for whom English is not their first language, receiving information in a format which allows them to make informed choices. In relation to the cost-of-living crisis, the FCA is keen to see firms taking proactive action. It also pointed out that it is not the case that wealth automatically means that there is no vulnerability. The FCA is disappointed that some firms have taken a blanket approach regarding age and vulnerability and it does not consider this to be appropriate. It stressed that a more nuanced approach is needed. **The FCA expects that half of the population may, at some point in their life, be considered vulnerable.**

The FCA said that smaller firms, with simpler products, can take a proportionate approach to implementing the Consumer Duty.

A recording of the webinar can be found here - [Consumer Duty: The next steps - FCA Webinars](#)

Do you require assistance in reviewing your firm's communications or evidencing customer outcomes? For more information on how we can assist your firm in complying with the Consumer Duty, please contact us.

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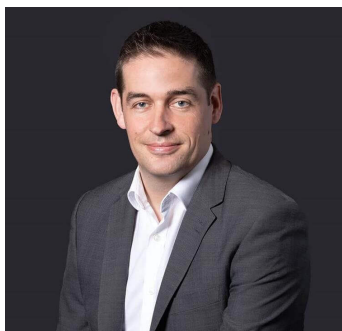
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