CONSUMER DUTY HEALTH CHECK

PROTECT, GROW, THRIVE

square 4

BACKGROUND

The FCA's Consumer Duty is the cornerstone of its three-year strategy, which aims to drive a healthy and successful financial services system to allow firms to thrive and consumers to make informed, effective decisions, act in their interests and pursue their financial objectives.

The Duty focuses increasingly on behaviour and cultures, with the FCA taking a much more active and open look at the wider value which firms deliver to customers – including more of a focus on product governance, pricing, communications, ongoing support and associated factors which underpin a competitive marketplace.

With just a few months to go until the implementation deadline for new and existing products, you must ensure that you are prioritising effectively, focusing on reducing the risk of poor customer outcomes and assessing where you are likely to be furthest away from Duty compliance.

FCA WARNS OF IMPENDING CONSUMER DUTY DEADLINE

Our supervisory and enforcement approach will be proportionate to the harm – or risk of harm - to consumers, with a sharp focus on outcomes.

We will prioritise the most serious breaches and act swiftly and assertively where we find evidence of harm or risk of harm to consumers

In some cases, firms can expect us to take robust action, such as interventions or investigations, along with possible disciplinary sanctions

CONSUMER DUTY HEALTH CHECK

Square 4 has developed a simple five-point Consumer Duty health check to provide assurance, on a review and recommend basis, to determine whether the work you have undertaken to date is complete and aligned with industry and regulatory expectations.

Our five-point health check considers a range of different factors and examines the following:

1. GOVERNANCE AND OVERSIGHT

Your approach to governance arrangements including monitoring outcomes and how this is embedded in your first-line assurance, compliance and internal audit, the approval and review processes for identification of target market, approach to vulnerable customers and other customer groups, distribution strategies and ongoing oversight of your implementation work. This includes the approach to review and approval of your annual assessment and the role of your Consumer Duty champion in challenging your firm's management on how it is embedding the Duty and focussing on your customers receiving good outcomes.

2. CULTURE AND PEOPLE

Your culture and people strategies to ensure your business will be focused on delivering good outcomes for your customers and that all staff understand their responsibilities under the Duty. This includes a review of your firms' strategies, leadership and people policies (including incentives at all levels) to ensure that good customer outcomes are embedded.

CONSUMER DUTY HEALTH CHECK

3. IMPLEMENTATION PLAN

The deliverability of your implementation plans, including your approach to prioritisation of key tasks, and whether actions taken will ensure 'substantive' compliance with the Duty and meet the implementation deadline. This includes your approach to analysing all relevant areas of your business in determining the scope of the work required, the workstreams and milestones along with the key risks, mitigation strategies and dependencies.

4. THE FOUR OUTCOMES

The Duty means consumers should get communications they can understand, products and services that meet their needs and offer fair value, and receive support to help them in using the products they have bought. Our health check will examine how far your plans address the substantive requirements of the Duty as set out in the FCA's final rules and guidance.

5. DATA STRATEGIES

A key part of the Duty is that you assess, test and understand the outcomes that your customers are receiving. Our health check will examine your data strategies in accordance with the rules and Chapter 11 of the FCA's finalised guidance to determine whether they will be able to identify, monitor, evidence and stand behind the outcomes that your customers experience at each stage of the customer journey.

ABOUT US

Square 4 was founded with the vision to support people and businesses grow and thrive across the evolving spectrum of governance, conduct, financial crime and operational risk. We are an advisory and resourcing business that leverages technology and expertise to design bespoke solutions across our core service lines of:

- Governance, risk and compliance
- Fraud and financial crime
- Technology solutions
- People

Across the team, we have extensive experience incorporating the 'big four' professional service firms, industry regulators, leadership roles within Financial Institutions and other outsourced learning, resourcing and consultancy providers.

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