

Mastering the upcoming FCA Consumer Duty deadline

webinar highlights

With the Consumer Duty deadline for the first board report submission fast approaching, and with closed products also coming into scope, firms must ensure they are not only prepared, but are meeting the Financial Conduct Authority's (FCA) high standards and expectations.

In a recent Thistle Initiatives webinar, our panel of experts discussed the key issues firms need to be aware of for the board report and closed products deadline, sharing some tips and tricks that will help firms to become ready and compliant.

Board report submission

What is it?

The FCA's goal with the annual board report is to build on the consumer duty framework and emphasise the need for firms to act in the best interest of their customers, says Lorraine Mouat, Head of Payment Services at Thistle Initiatives. One of the ways to achieve this is with effective governance, something that is often overlooked as a key component of consumer duty. "The FCA recognise that real change will only come about if the boards of regulated firms have fully bought into the need for change," she says. The board report therefore helps senior management stay focused on critical issues around their consumer duty obligations and ensure firms can make informed decisions on matters that impact customer outcomes.

What do I need to do?

The main aim of the board report is to provide an assessment to the governing body to determine if good outcomes have been achieved over the preceding year and any actions that need to be taken to address poor customer experiences, says Matthew Williamson, Head of Credit & Mortgages at Thistle Initiatives. This assessment needs to include Management Information (MI) and results of monitoring undertaken. Firms must also include evidence of poor outcomes, with a root cause analysis carried out and any recommendations or enhancements that need to be made outlined in the report (claiming there are only good outcomes is obviously unrealistic). The report can be broken down into the following sub-headings:

- **Governance strategy and policy** - outline how consumer duty and good outcomes is reflected in your governance policies (for example, are staff incentives appropriate).
- **Cross-cutting rules** - demonstrate that you have acted in good faith and avoided causing consumer harm.
- **Consumer duty outcomes** - align your findings with the four consumer duty outcomes: do your products and services meet your customers' needs? Are they being manufactured and distributed appropriately? Are prices and value fair? Do consumers understand what they are using and is there sufficient customer support?
- **Vulnerable customers** - detail how you are protecting vulnerable customers and what steps are being taken to ensure good outcomes.
- **Assessment summary** - recap what the key findings are and list any actions to be taken.

Practical tips

1. **Don't treat the board report as a tick box exercise**, says Paul Caine, Associate Director at Thistle Initiatives. "Firms have to be able to evidence in their annual report that they're continuously learning and continuously improving."
2. **Incorporate feedback from multiple stakeholders in the report**, says Mouat. This includes perspectives from all three lines of defence.
3. **Ensure the report includes enough information for the board to make informed decisions**, says Karishma Galaiya, Senior Manager at Thistle Initiatives. While outlining poor outcomes is important, it is also essential to detail what is working well and why.

Closed products deadline

What is it?

From July 31, closed products—financial products that are no longer available for sale to new customers but are still being used by existing customers—will fall in scope for consumer duty obligations. This means firms need to manage these products in exactly the same way as they would products that are still available for sale to ensure good customer outcomes, for instance by providing appropriate communications, support and guidance, says Mouat.

What do I need to do?

Firms need to ensure they are still monitoring customer activity and engagement on products that have been closed to new customers. This can include tracking how quickly the firm is responding to customer requests, questions or complaints, says Williamson. Firms should also compare those response times to how quickly they respond to open

products, noting any discrepancies. In addition, firms should check if there are specific complaints relevant to those closed products and then conduct a root cause analysis to identify what the problems are and how to address them. Closed products may also attract repeat questions from customers, therefore having an effective FAQ page that outlines how it impacts existing customers is crucial for consumer duty obligations and ensuring good consumer understanding, Williamson says. All of this needs to be monitored using effective MI and reviewed on an ongoing basis, he adds.

Practical tips

1. Firms need to make sure they have **adequate information on why products were closed in the first place**, says Galaiya.
2. Firms also need to **understand what their obligations are for closed products**, as those responsibilities will vary depending on whether you are a product distributor or product manufacturer or co-manufacturer, says Caine. For manufacturers, this includes reviewing these products on an annual basis and completing a fair value assessment to gauge if they are still appropriate for market.
3. For distributors who may have a limited role with these products, they still need to **document what they are doing**, says Caine. This might involve simply contacting the manufacturer and getting comfortable with the actions they are taking, he says.

By following this guidance and implementing these steps into their Consumer Duty framework, companies can ensure they are maintaining compliance with the FCA's higher standards for consumer protection and safeguarding themselves against any potential penalties in the future.

For more information on the upcoming Consumer Duty deadline, please get in touch with one of our experts, or to watch the full webinar, [click here](#).