

Transforming your proposition for the Consumer Duty

Evolution or revolution?

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Strategy

Transforming your proposition for the Consumer Duty



- What is the Consumer Duty and what is changing?
- Problems it is trying to address
- How do we implement it?
- What does good look like?

What is the new Consumer Duty?

All-encompassing new regulation for the retail financial services sector



Consumer Principle

A firm must act to deliver good outcomes for retail customers

Cross Cutting Rules

- Enable customers to pursue financial objectives
- Act in good faith toward customers
- Avoid causing foreseeable harm

Four Outcomes

- Products and Services
- Price and Value
- Customer Understanding
- Customer Support

Who does it apply to?

Applies throughout the distribution chain



YOUR SUPPLIERS

- Partner Product Manufacturers
- 3rd Party Administrators
- Technology Vendors
- Underwriters / Tele-underwriters
- Fund Managers

YOUR FIRM

- Product and Service Manufacturers
- Administrators and Customer Services
- Direct Sales Agents or Restricted Financial Advisers

YOUR DISTRIBUTORS

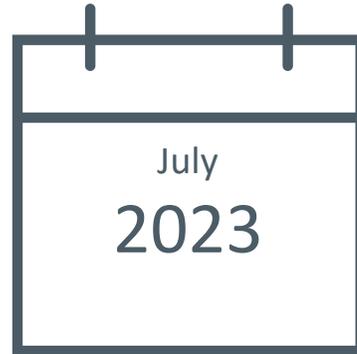
- Independent Financial Advisers
- Appointed Representatives
- Affinity Partners

Timeline

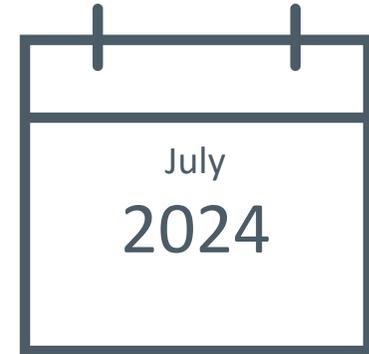
Timelines are short – and don't forget about the April 2023 deadline for manufacturers



Firms' boards should agree their implementation plan



The Duty comes into force on all new products and services, and all existing products and services that remain on sale or open for renewal



The Duty comes fully into force, and applies to all closed products and services

Same Same, but Different?

The rules reinforce and enhance existing regulations



The FCA's core objectives already include frequent references to most of what we see in the new regulations.

Our objectives

We regulate the conduct of 50,000 firms in the UK to ensure that our financial markets are honest, competitive and fair. Find out more about our objectives.

| | | |
|--|---|--|
|  <p>Protecting consumers</p> <hr/> <p>We protect consumers from the harm caused by bad conduct in financial services.</p> <p>Find out how ></p> |  <p>Enhancing market integrity</p> <hr/> <p>We aim to support a healthy and successful financial system.</p> <p>Learn more ></p> |  <p>Promoting competition</p> <hr/> <p>We promote effective competition in the interests of consumers and take action to address concerns.</p> <p>What we do ></p> |
|--|---|--|

- **Protecting consumers** means firms must
 - **treat their customers fairly**
 - deliver **appropriate products and services**
 - **put customer protection above ... profits or income**
- **Enhancing market integrity** includes
 - a **positive culture** of identifying and managing conflicts of interest
 - firms [that] **put clients' best interests** at the heart of their businesses
- **Promoting competition** means
 - consumers are **empowered and informed**
 - [they] **can take their business elsewhere** if they're not happy
 - [firms compete] on **service, quality, price and innovation**, which ... helps deliver even **better outcomes for consumers**

What's New?

There are some meaningful differences



A **higher standard** of care, driving **cultural change**



Additional focus on **good outcomes** with **regular reviews**



Covers **value** delivered across **whole distribution chain**



Act to avoid foreseeable harm



New **governance** and **accountability** expectations

What problems are we trying to address?

The four focus areas for outcomes are all highly interlinked



Products and Services

- Selling inappropriate policies to customers
- Legacy products that do not deliver good outcomes

Price and Value

- Premiums or fees do not provide fair value - including add-ons
- Black box pricing that cannot be scrutinised
- Insufficient due diligence of your distribution network

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Consumer Understanding

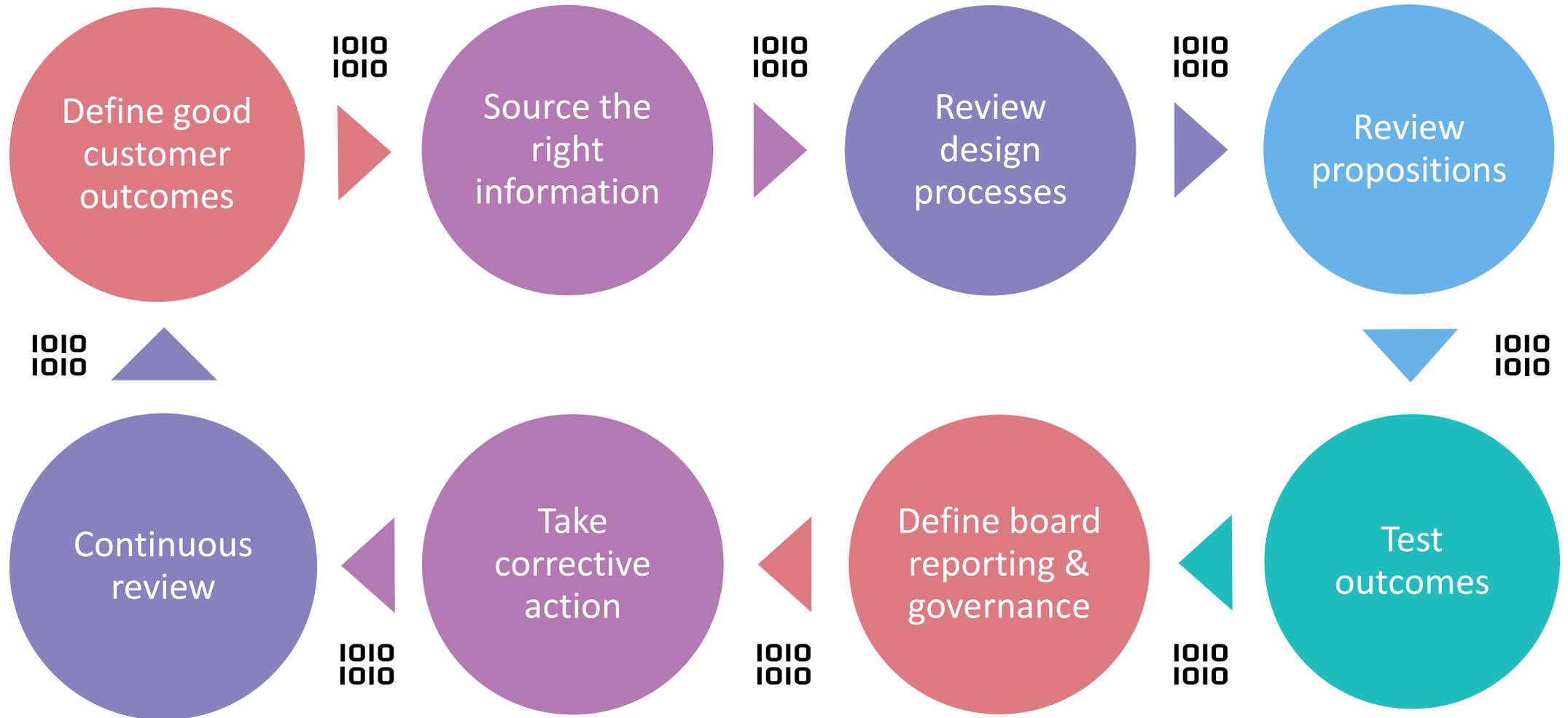
- Lengthy, “legalese” policy terms and conditions
- Hidden or complex costs and charges information
- Failing to cater for different needs & vulnerabilities

Consumer Support

- Taking advantage of behavioural biases or lack of financial savvy
- Under-resourced helplines or slow, unreliable online service access
- Complex or awkward process deters clients from making claims

Applying Consumer Duty to Mutuals

A logical process for achieving compliance (and happier customers)



A Word on Proportionality



Does not mean that the Consumer Duty applies to a greater degree for larger firms

Does mean that firms:

- Are not responsible for non-compliance of partners in the value chain
- Have been given an additional 12 months to review closed book products
- Are not expected to migrate customers from closed products to the latest version
- Need withdraw products from sale without considering impact on customers
- Do not need to exhaustively segment customers for outcome testing
- Should treat SME's as Retail Customers where existing sourcebook rules state



**Would you
recommend this
product or
service to your
mother or your
best friend?**

- ✓ Easy to understand
- ✓ Honest advice or guidance
- ✓ Fair cost for benefits provided
- ✓ No hidden fees and charges
- ✓ Accessible service & helplines
- ✓ No exit barriers

Your moment to shine and show benefits of mutuality

Introducing Altus



Altus



Established
2005



Based in
Bath, UK



100+
employees



250+
clients



Exclusively
**financial
services**



Part of
Equisoft

Altus Consulting



**Management
Consulting**



**Operational
excellence**



**Model driven
change**

Differentiators



**Industry
experts**



**Visual
deliverables**



**Engineered
approach**



**Independent
& approachable**

Questions?

Thank you for listening

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