

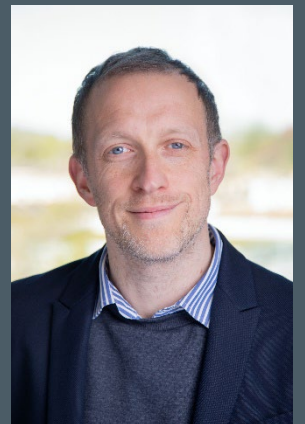


# The end of the beginning:

## Insight into industry progress on Consumer Duty



Jonathan Warren  
Principal Consultant





## Consumer Principle

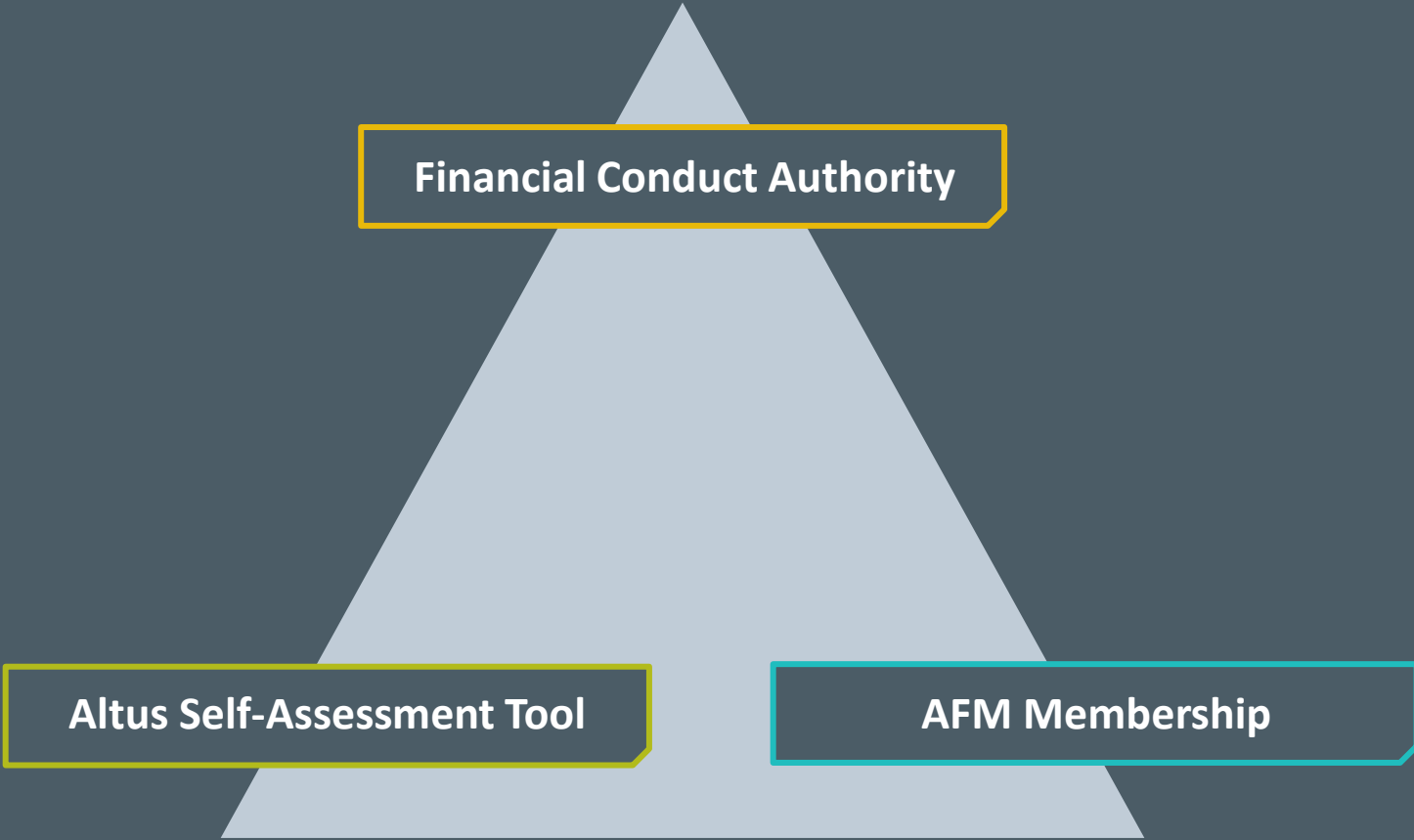
### Overarching Cross-cutting Rules

Firms must take all reasonable steps to:

- avoid causing foreseeable harm
- enable customers to pursue financial objectives
- act in good faith toward customers

**Four Outcomes** for the key elements of the firm-consumer relationship:

1. Customer understanding
2. Products and Services
3. Customer support
4. Price and Value



## Hello Jonathan

Get started by beginning a new Consumer Duty assessment

### What would you like to do?



**Start a new Consumer Duty assessment**

Complete a new questionnaire to assess your Consumer Duty capability



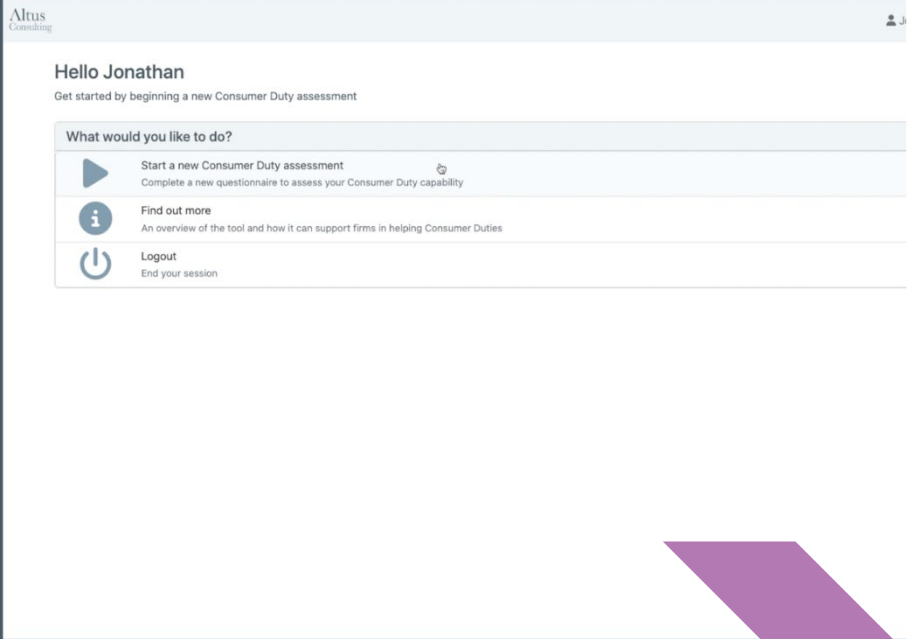
**Find out more**

An overview of the tool and how it can support firms in helping Consumer Duties



**Logout**

End your session

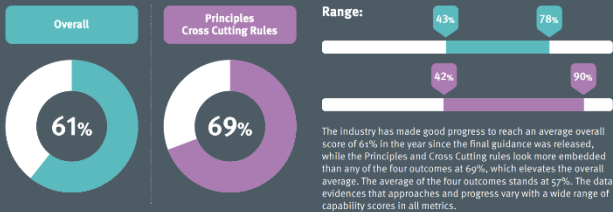


## Consumer Duty

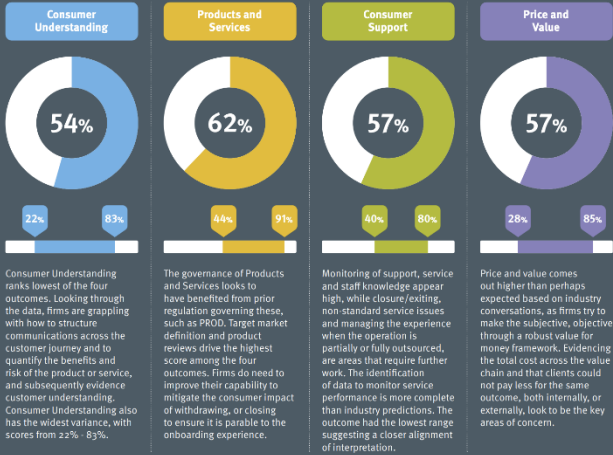
A long and winding road. Reflections on industry progress.

Altus Consulting launched the Consumer Duty self-assessment tool to create an industry benchmark in the absence of a firm view on 'what good looks like' under the principles and outcomes. Post the open book implementation deadline, we share the insight and findings from the aggregated data. Far from the beginning of the end, it is the end of the beginning as firms need to continue to enhance their capability over the longer term.

**How are the scores from the Consumer Duty Assessment Tool calculated?**  
The tool comprises 600 questions on an organisation's capability relating to Consumer Duty. The questions have four multiple choice responses, representing a low to high capability related to the question, which facilitates scoring the user's assessment as a percentage out of 100.



### The 'four outcomes'



### Consumer Duty Trends

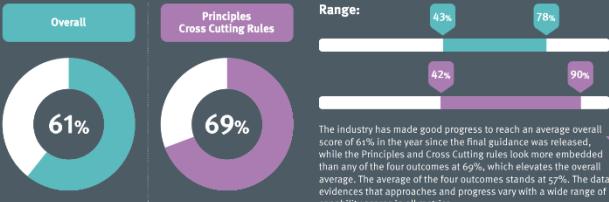
## Consumer Duty

A long and winding road. Reflections on industry progress.

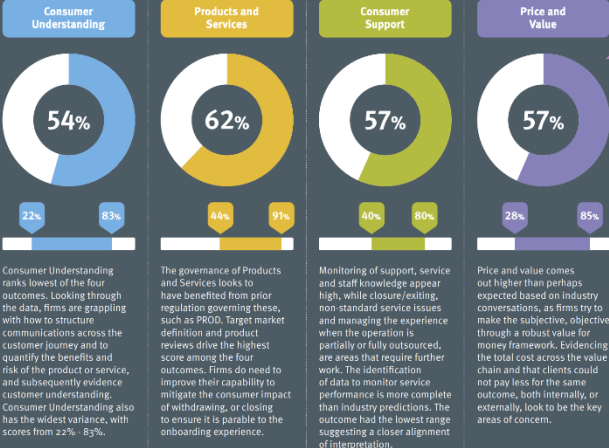
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**How are the scores from the Consumer Duty Assessment Tool calculated?**  
The tool comprises 90+ questions on an organisation's capability relating to Consumer Duty. The questions have four multiple choice responses, representing a low to high capability related to the question, which facilitates scoring the user's assessment as a percentage out of 100.

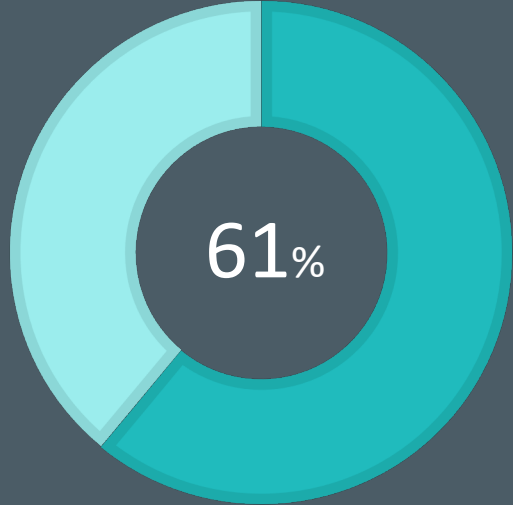


### The 'four outcomes'



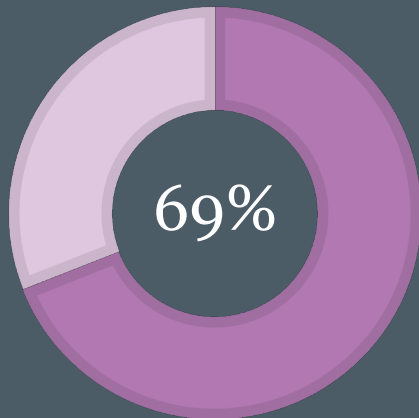
### Consumer Duty Trends

## Overall





## Principles Cross Cutting Rules



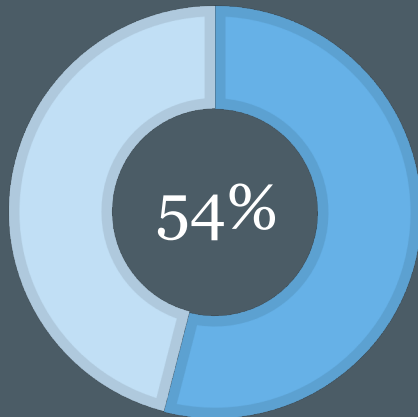
42%

90%

- Culture as an execution risk
- Fair Treatment of Vulnerable Customers as a customer segment within the Target Market
- Performance management and reward structures
- Good outcomes for prospective clients, and your negative target market



## Consumer Understanding



22%

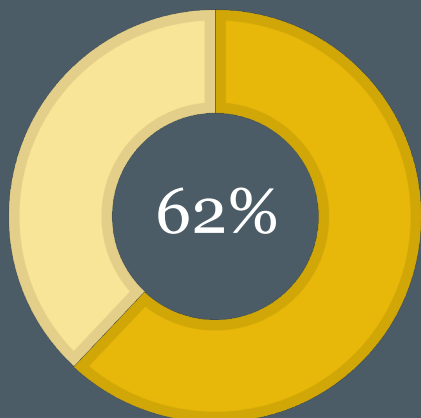
83%

- The lowest average score across the four outcomes
- An average reading age around 9-11 years old
- 20% of the population cope with low financial capability
- Structuring communications across the customer journey
- Information they need, at the right time, and presented in a way they can understand
- Quantifying the benefits and risks of the product or service
- How do you monitor and evidence customer understanding
- Creating an iterative cycle – Monitor, Analyse, Learn, Develop





## Products and Services



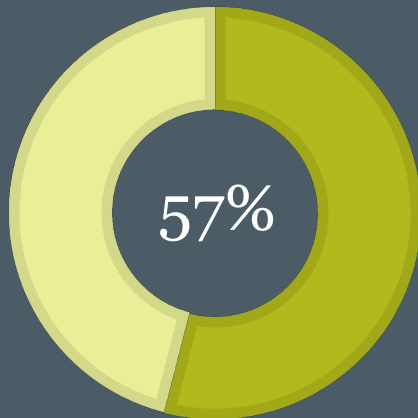
44%

91%

- The highest average at 62%
- Benefitting from previous regulation such as PROD
- Making withdrawing, transferring and closing as good as onboarding
- Difficulty in presenting out charges, and the total cost, in a manner that most consumers could easily understand
- Perception around total charges, e.g., for an advice recommendation



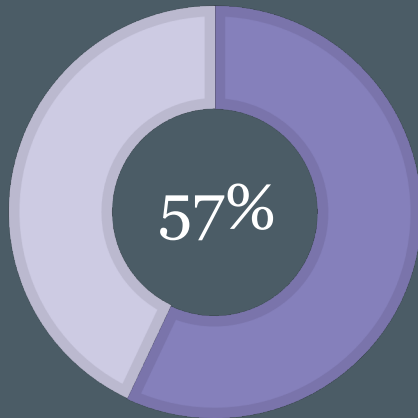
## Consumer Support



- An average of 57% but a narrower range suggesting a closer alignment on the Customer Support outcome
- Staff competence and knowledge and complaint management high
- Lower scores evident where firms need to work with third parties
- In outsourced operations, focus needs to shift from service levels under the contract, to the outcome's consumers receive
- Managing non-standard service issues
- Not a powerful enough force to make the industry remove legacy practices and barriers to exiting and transferring out



### Price and Value



28%

85%

- At 57%, higher than expected
- How do you make the subjective, objective (e.g., Casio vs. Rolex)
- Difficult to assess how a financial service product makes someone feel
- Evidencing the total cost across the value chain and that clients could not pay less for the same outcome is a key weakness
- Features that clients are paying for, that are not used
- Surprisingly, lower around the work to satisfy that fees and charges represent fair value



- Some have met, while some have only partially met the deadline
- The mutual business model is built around what is right for your members and customers
- Consumer Duty hasn't been easy but was a continuation of thinking from existing regulations and robust product oversight
- Management information again comes through as vital
- Customer segmentation proved difficult for smaller firms. Front-line staff get to know the clients, rather than a reliance on a CRM
- Larger firms will need to be much more tech-enabled, primarily through a CRM to deliver personalisation at scale, which may be an advantage in the data arena.



- FCA announced their first intervention on Consumer Duty
- Critical not to underestimate next years' deadline. There will be lessons learned and lots of reusable capability from open book work, but closed books may well be more difficult
- The issue with principles, outcomes is the absence of an industry agreed methodology, or standard. You end up with endless approaches
- Difficulty in working with financial advisers and distributors. You have different types of relationships. Some close, some distant
- Critical that the board embraced Consumer Duty
- Reconciling the conflict between regulation and Consumer Understanding
- Challenge on closed and heritage books. More difficult to evidence fair value with many providers having numerous product variants



- Satisfied that firms had put sufficient effort into the implementing the price and value rules
- The FCA's view was that some firms had been overly simplistic with their frameworks
- They found firms relying on that fact that their products are inherently fair value because they're competitively priced
- Firms had not identified how they plan to monitor fair value, what data they might need, or how they might address gaps



- There was insufficient consideration given to information needed from other firms in the chain, or third parties
- If you operate in multiple markets, a one-size-fits-all approach will not be sufficient
- Non-financial cost was another area cited as missing. For example, how much time and effort does the end consumer have to invest to use the product, or service
- There was a lack of linkage to wider factors, such as performance under the other three outcomes



# Questions?

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