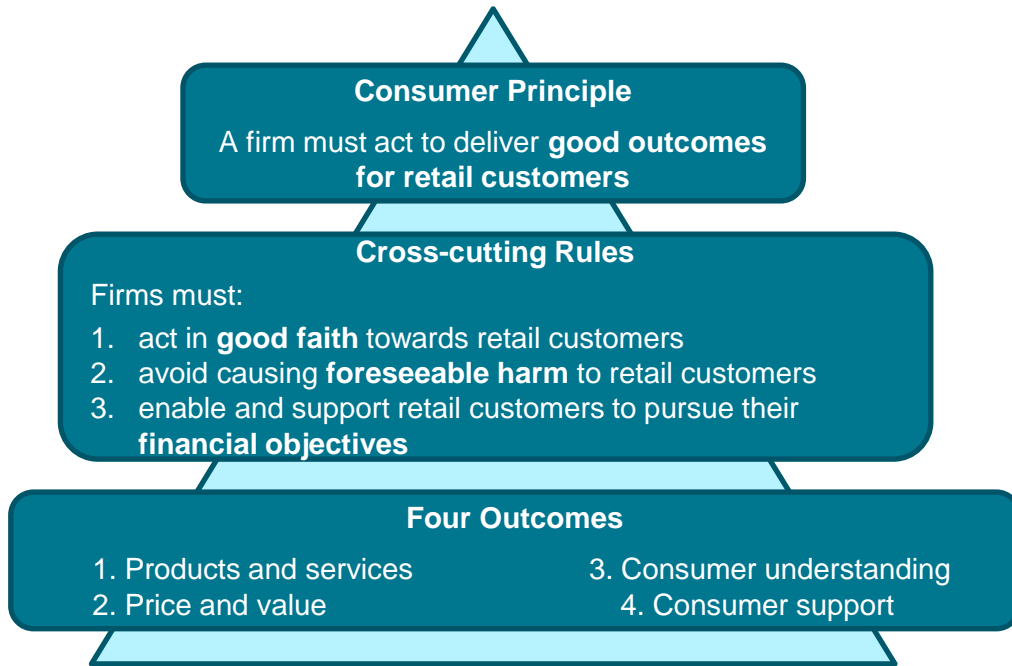


# Outsourcing arrangements through the lens of the Consumer Duty

Angela Greenough, Partner  
Duncan Turner, Partner  
17 May 2023

# Consumer Duty Framework



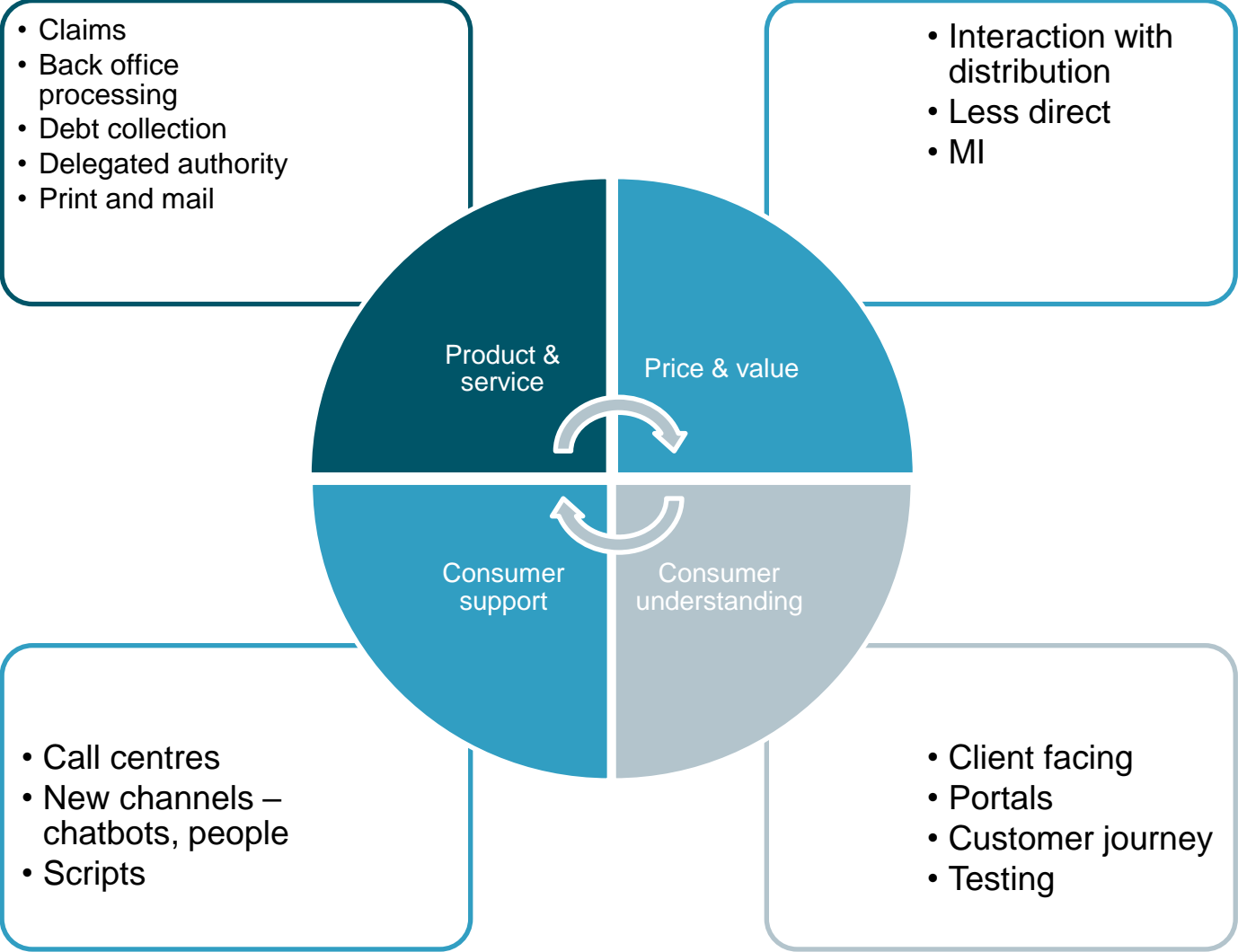
*regulated activities & 'ancillary activities' and payment services in connection with **products** distributed / will be distributed to 'retail customers' in the UK*

- Not a 'one-line' duty but a 'package of measures'
- Applies proportionately
- Focus on outcomes, not prescribed steps
- Underpinned by standard of reasonableness
- Applies irrespective of whether have a direct relationship with retail customers

- P6 & P7 disapplied where the Consumer Principle applies
- Will not apply to unregulated business unless ancillary
- Definition of 'retail' aligned to sector sourcebooks

**Distribution & direct contact in scope!**  
**Cannot be delegated to suppliers**

# Implementation: Mapping



# Prioritisation for remediation programme



Practical reality of timetable



FCA's October 2022 Good Practice



Overarching reasonableness and proportionality: *What could reasonably be expected of a **prudent firm** carrying out the **same activity** in relation to the **same product***



**Prioritise the higher impact arrangements accordingly and record the rationale**

# Implementation: Contract & Culture

## Amending contractual terms

- Change control / SoW
- Regulatory change
- User groups
- Multi-client solutions
- COST
- Lead times

## Wider considerations

- Culture?
- Extensive training
- Consumer duty champion
- Remuneration structures
- Wider information sharing & MI
- How to implement audit
- Beyond audit e.g. periodic informal workshops

*Continued application of outsourcing requirements & regulatory expectation*

- ✓ *have systems and processes in place to monitor outsource providers meet the standards dictated by the four outcomes*
- ✓ *be able to take appropriate action to remedy issues*

# Implementation: Embedding

- ❖ Rfp processes
- ❖ Due diligence
- ❖ Standard terms
- ❖ Relationship and Supplier Management functions
- ❖ Appropriateness & Materiality assessments
- ❖ Outsourcing policies
- ❖ Exercising contractual rights!

“

*At every stage of the regulatory life cycle, we will ask you... how your culture is refocusing on good customer outcomes.”*

*The FCA wants firms to understand what the FCA considers important so that they can “stay agile”.*

Sheldon Mills, FCA Executive Director



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## Speaking to you today

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