FCA
Consumer Duty

Health-check | April 2025

Health check

This Health-check analyses all of the FCA's publications since July 2023 relevant to the Consumer Duty and extracts the lessons learned. We hope firms find it helpful in stress testing their own implementation of the Duty. It is intentionally sector agnostic. Please do get in touch if we can support you on any sector specific queries.

CMS
April 2025

Firms may also want to refer to our:

– Consumer Duty Implementation Toolkit:
  A New Consumer Duty – Implementation Toolkit

– Consumer Duty Annual Board Report Toolkit:
  Consumer Duty Toolkit – Annual Board reports

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Ongoing assessments

Governance structures

- Consider governance structures in place to review and ensure ongoing compliance with the Duty:
  - appropriate systems and controls, policies and procedures;
  - four Outcomes risk assessment frameworks;
  - clearly defined deliverables and senior manager accountabilities.
- Establish relevant forums and committees with appropriate level of seniority to review outcomes monitoring, relevance and adequacy of MI and oversee required changes and remedial actions – be clear on how these committees work together to provide a holistic view of how good outcomes are delivered across the customer lifecycle (including aggregation of risk) and establish terms of reference and triggers for regular reporting and ad hoc escalations to the Board/governing body.
- Risk, compliance and internal audit functions to ensure assurance work includes a focus on the needs of customers and outcomes delivered.

When to review compliance with the Duty

– Manufacturers must conduct a review process (including a fair value assessment) for the approval of any product and significant adaptations of a product before it is marketed or distributed:
  - significance is viewed through the lens of customer impact;
  - several small changes, either at one time or sequentially, together may amount to a significant change.
– Firms must conduct ongoing monitoring of the outcomes retail customers are experiencing.
– Where ongoing monitoring identifies customers are at risk of harm (by act or omission), must act in good faith and take appropriate action to rectify the situation – track and test effectiveness of remedial actions.
– At least annually, must prepare a report to the Board/governing body to set out the results of the monitoring and actions taken/required. [See **Annual Board Reports**].

Assessment frameworks

- Set assessment frameworks with clear expectations and baseline standards for good outcomes.
- Give guidance on how these could be applied across different products and services and used across the business e.g.:
  - may map directly to sections of FCA Handbook and Finalised Non-Handbook Guidance: key requirements → applicable good outcomes for product/service → key risks → key mitigants → metrics to measure outcomes → methods of monitoring & assessing outcomes and reasoning for each section;
  - set key questions linked to FCA requirements for each outcome for reviewers to assess with commentary and data points to support response;
  - work through the end-to-end customer journey across products and services, starting from the inception of the product to the post sale support for customers.
- Identify gaps in processes, procedures and approaches across the business.
- Consider holding workshops with staff from different parts of the business, to walk through gap analysis findings and answers, to ensure interpretation across reviews is aligned.
- Build data libraries to be used in addition to MI to provide evidence of compliance and insights into key areas.

Ongoing monitoring and notifications

– Results and outputs:
  - use ongoing monitoring reviews to identify areas of customer harm and/or risk of potential harm;
  - prioritise actions to resolve;
  - put in place clear plans for suitable remediation, accountability and ownership, timelines for completion, budget and mitigation plans until the gap is resolved;
  - consider the potential extent of harm from failure to meet deadlines for addressing any gaps and have clear mitigation plans in place.

– Reporting:
  - notify other firms in the distribution chain where risk of non-compliance with the Duty (by the firm or any other firm) and of any relevant mitigating actions e.g. changes to product, pricing, distribution strategy;
  - report to FCA where any product, service or customer treatment is significantly non-compliant with the Consumer Duty (including potential for harm where a product is withdrawn), relating to the firm or any other firm in the distribution chain.

Foreseeable harm

- Avoidance of foreseeable harm is the cornerstone of the Consumer Duty.
- Harm may be caused by act or omission.
- Emphasis on:
  - defining and mapping good customer outcomes – considering how the firm meet customers' reasonable expectations;
  - ongoing testing and monitoring of customer outcomes – focusing on areas with greater risk of potential for harm;
  - responding to emerging trends and potential new sources of harm - including FCA supervisory action and macro-economics (e.g. cost-of-living);
  - identifying the right MI to measure customer outcomes;
  - presenting, discussing and challenging MI on a regular basis and at an appropriately senior level – be able to evidence, keep detailed minutes of discussion;
  - investigating root causes of poor outcomes;
  - identifying remedial actions for poor outcomes (including prompt redress) – accountability, monitoring, testing effectiveness;
  - challenging late or incomplete delivery of key actions;
  - culture and its role in driving better outcomes – strategies, policies, and processes must be seen to be aligned to positive action.

QA Testing

Areas for improvement

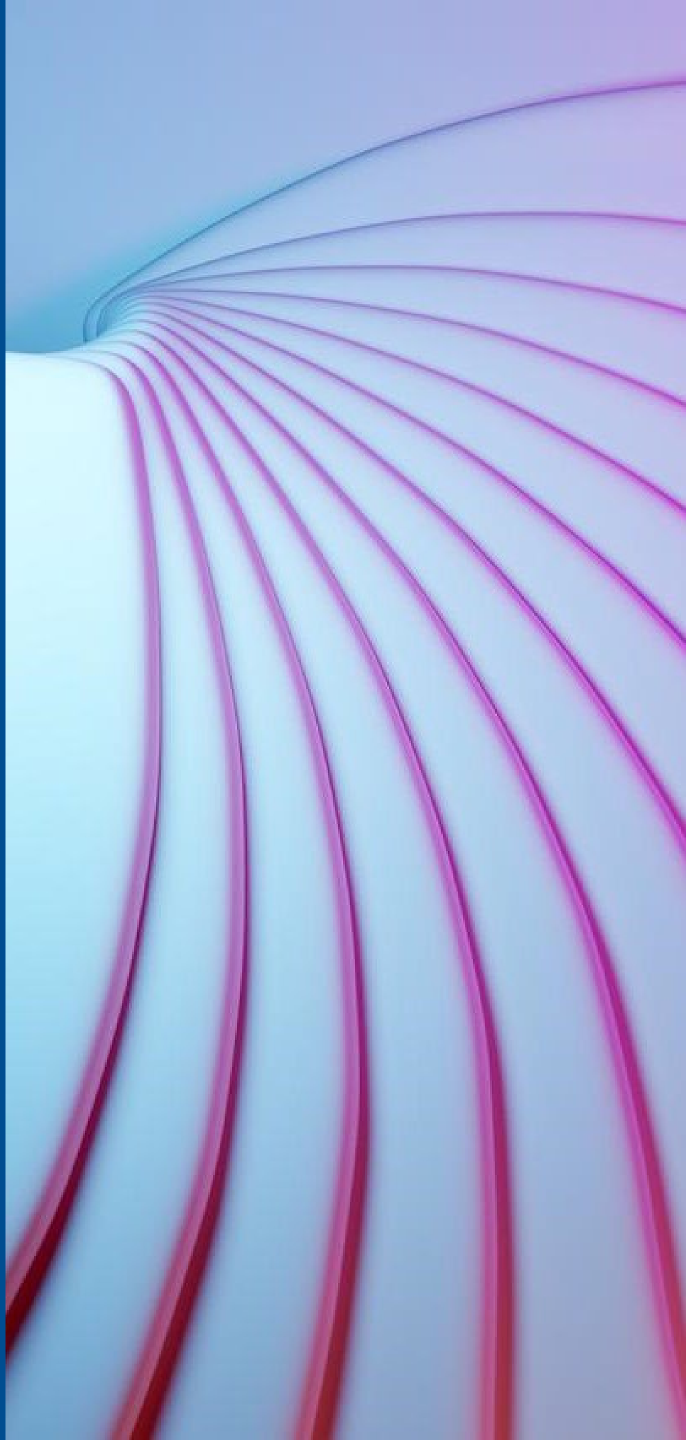
Quality Assurance: 1LOD

– 1LOD QA focussed on single/point in time interactions with customers rather than customers' experience across the whole duration of a journey:

- point-in-time checks limit ability to identify issues in the firm's overall treatment of customers, detect linked themes and root causes;
- the manner in which QA was undertaken was often narrow in focus with attention being placed purely on procedural competence, rather than any element of soft skills being included. This type of focus has the potential risk of not identifying when staff miss triggers of vulnerability, show empathy or evidence questioning and probing skills to ensure they have a full understanding of a customer's situation and whether they need any additional support.

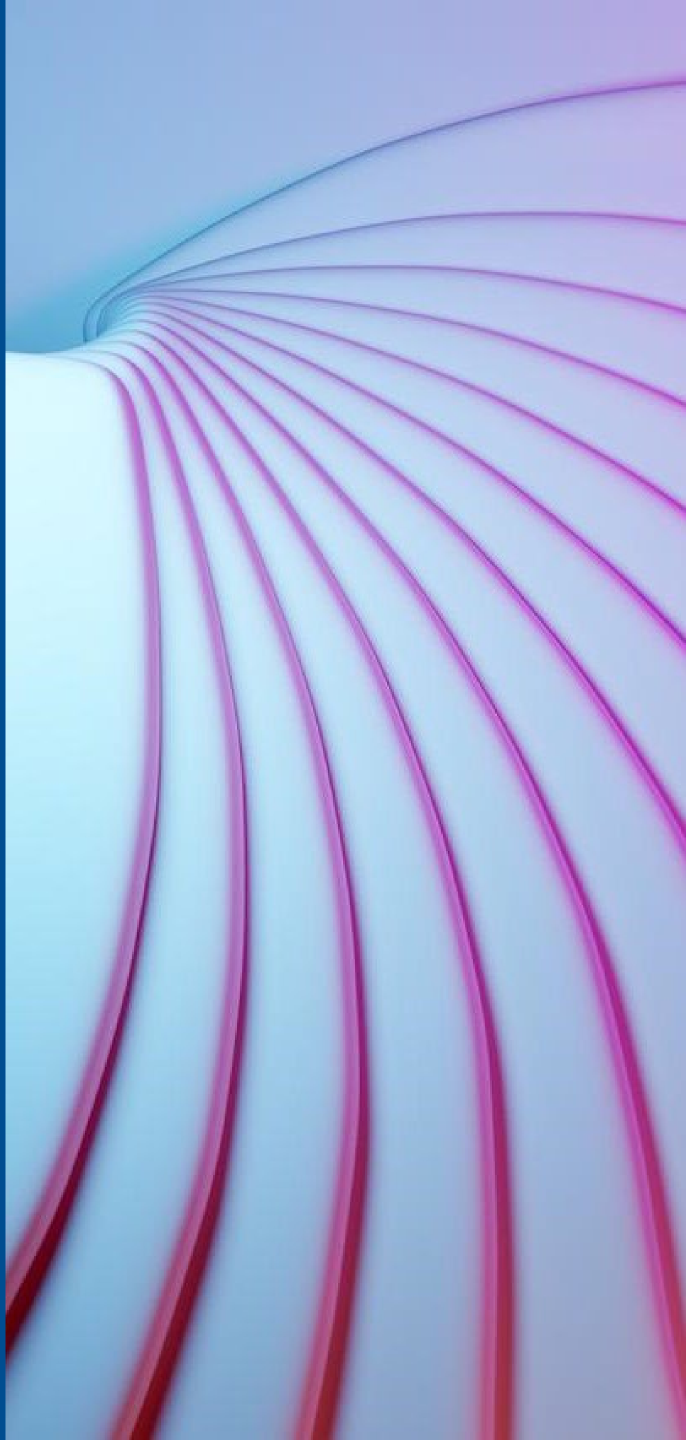
– 1LOD QA overstatement of good outcomes:

- lack of guidance on what constitutes a good outcome – focus on failure of process rather than overall outcome;
- should consider each element of the customer interaction, the materiality of any findings and the impact on overall fairness of the outcome;
- failure to identify and record risk of poor outcomes *as a result of other failings* identified (need to identify potential, as well as actual, customer detriment) e.g. recording c.100% good outcomes on file reviews, despite also highlighting that significant numbers of agents had significant development needs.



Quality Assurance: 2LOD and 3LOD

– Lack of outcomes focused assurance testing by 2LOD and 3LOD:
  - failure to identify weaknesses in 1LOD QA checks;
  - similar failures to 1LOD QA in assessing point-in-time checks rather than end to end customer journey;
  - failing to test key aspects of good outcomes and how these are being achieved;
  - monitoring of outcomes for distinct customer groups not consistently demonstrated;
  - insufficient challenge of adequacy of policies and processes;
  - root cause analysis attributed to staff errors rather than recognising wider problems and drivers of staff error (e.g. lack of training and guidance, incentives contributing to risk of poor outcomes);
  - failure to identify and explore reasons for divergence in proportion of good outcomes identified by 1LOD and 2LOD.



Management Information

What does good look like?

Principles of Good MI

- **Outcomes-based:** Good outcomes should be clearly defined – should focus on outcomes delivered rather than processes completed.
- **Risk-based:** MI is about measuring performance and identifying potential risks – allow flexibility for ad hoc deep dives.
- **Internal and external sources:** include regulatory reviews, comparator benchmarking data, macro-economics.
- **Qualitative as well as quantitative:** Not only numbers – commentary and opinions are also MI. Narratives can enable informed debate around RAG status, root causes, themes and trends.
- **Relevant:** an appropriate suite of metrics – do they evidence the results and outcomes seeking to measure? do they evidence the type and significance of any harms? Is data drawn from a sufficient range of sources?
- **Accurate:** is it correct, drawn from reliable sources, commentary by the right people?
- **Comprehensive:** is there sufficient granularity to provide meaningful information? Does it evidence outcomes for different customer groups across the whole journey (including vulnerable customers)? is there adequate explanation of results?
- **Timely:** prompt enough to allow senior management to act?
- **Consistent:** does it allow trend analysis?

Demonstrate success

Be able to evidence:

- **A standard** – the level of performance that the firm decides demonstrates that it is delivering good outcomes
- **A result** – how the firm has performed against the standard
- Focus on where and why standards not met
- Evaluation of the **impact and root causes** of poor outcomes
- **A developmental approach** to complying with the Duty and remedial actions to be taken
- **Clear oversight** and accountability of necessary remedial actions and testing effectiveness

Review, understand, and remedy

MI should be:

- **Seen** – at an appropriately senior level
- **Challenged** – including the 'good' – consider range of outcomes across different cohorts and different stages of the journey, look at reasons for outliers
- **Analysed and monitored** – critical analysis, focus on the quality of information and key findings/lessons learned
- **Acted on** – how is MI used to initiate change? demonstrate how the monitoring of outcomes leads to proactive action being taken to improve outcomes
- **Recorded** – robust evidence of challenge, investigation into root causes, steps taken and resulting outcomes

Review adequacy of MI:

- MI Frameworks should be **continually reviewed** to ensure effective: e.g. six monthly period
- Ensure an **appropriate level of detail** is available for each level of committee in the governance structure
- Consider **at what level it is appropriate to review data on a disaggregated basis** to drive better discussion on the root cause of results
- Very small firms may want to bring in an **independent 'critical friend'** to bring objectivity

Management Information

Areas for improvement

MI and Quality Assurance | 1

- Lack of comprehensive and qualitative internal MI → senior management governance committees meaning they do not have clear or detailed view of unfair outcomes.
- Too much focus on number and timeliness of reviews completed rather than findings of reviews.
- Focus on point-in-time checks meaning senior management does not have a view of the overall customer experience, providing only limited assurance about the quality of customer treatment.
- Insufficient segmentation of outcomes across different customer cohorts, particularly vulnerable customers.
- Failing to provide a holistic view of the effectiveness of vulnerable customer identification, the number of cases, the level of support offered and achievement of good customer outcomes.
- Unfair outcomes reported to risk committees as isolated breaches rather than systemic issues.
- Absence of MI which attempts to identify issues before they have crystallised.
- Failings reported but no associated identification or assessment of risk of unfair customer outcomes.
- Over-aggregation of results for different products and services – making it more challenging for committees reviewing the MI to drill down into the results and meaning sufficiently positive outcomes in one area might obscure negative outcomes elsewhere.

MI and Quality Assurance | 2

- Over-aggregation of reported outcomes e.g. combining as a single result: "Fail – Fair Outcome" (failure of internal process but overall outcome fair) with "Pass – Fair Outcome" (pass of internal process and overall outcome fair) reported as a single figure when reported upwards. More granular reporting can enable senior management to challenge how a significant number of fair customer outcomes are being achieved despite staff failing to follow internal processes, procedures and/or policies.
- Absence of narrative comments in MI packs to explain results, give context and clearly illustrate how MI constitutes evidence of good outcomes for customers.
- Taking undue comfort from largely "green" RAG-rated results reported without understanding underlying data.
- Failing to acknowledge and explain issues RAG graded "red" in successive reports in MI packs with no narrative on actions being taken beyond the actions detailed for individual cases.
- Lack of consistency of approach in reporting MI making it difficult to identify and analyse trends.
- Statements made and conclusions drawn about the outcomes delivered where they do not seem to align with the MI provided.
- Undue reliance on complaints data – a relevant consideration but an over-focus pushes responsibility onto the customer.
- Undue reliance on net promoter scores in absence of a sufficient range of other data sources, meaning lack of meaningful insight into customer outcomes.

Annual Board Reports

What does good look like?

Board/governing body reports | 1

- Board has responsibility to ensure the Duty is properly embedded within the firm and to assess whether the firm is delivering ‘good outcomes’.
- At least annually, Board must:
  - Review and approve firm’s report on outcomes customers receiving, including:
    - new and emerging risks (internal and external);
    - evidence of poor outcomes, impact evaluation and assessment of root causes;
    - actions taken to address.
- Confirm satisfied the firm is complying with its obligations under the Duty.
- Assess if the firm’s future business strategy is consistent with this.
- Board to agree and sign off:
  - actions to address identified risks;
  - actions to address poor customer outcomes;
  - any changes to firm’s future business strategy.

Board/governing body reports | 2

- Ensure input of key business areas into the annual report.
- Evidence the full involvement of 2LOD and 3LOD, including independent assessments from both lines, giving the firm’s governing body assurance about the content and conclusions of the report.
- Include rationales for data thresholds used to evidence good outcomes.
- Consider including illustrative examples.
- Be able to evidence:
  - details of board challenge either in the report itself or associated minutes;
  - any requests from the board for further information to demonstrate compliance with good outcomes e.g. information on target markets, research and consumer testing;
  - evaluation of effectiveness of any remedial steps taken where poor outcomes identified;
  - input of the Consumer Duty Board Champion e.g. a statement from the Board Champion detailing their responsibilities and their involvement in reviewing changes made over the course of the year.
- Include a clear plan to address poor outcomes and assign accountability to deliver.

Annual Board Reports

Areas for improvement

Board/governing body reports | 1

- Some reports produced almost solely by Compliance teams or a dedicated Consumer Duty function. This risks the report missing the scrutiny and input of key stakeholders with subject matter expertise and risks business ownership of any identified issues.
- Insufficient data quality to justify conclusions or to give governing bodies adequate assurance that firms are meeting their obligations under the Duty. Reliance on high-level claims such as ‘products are designed to meet the needs of the target market’.
- Insufficient information on target markets: lack of detail on how they were determined or overviews of target markets for some of the firm’s main products and services. Could include profiles for customers that fall into the target market cohorts, showing the board how they are receiving good outcomes.
- Imbalance between use of qualitative and quantitative metrics.
- Absence of accompanying explanations to MI to clearly illustrate it constitutes evidence of good outcomes for customers.
- Failing to give clear definitions of good outcomes across different products and services that can be tested against the available MI.
- Failing to identify the thresholds being used to monitor MI and determine good outcomes. Or, thresholds stated but lack of well-reasoned rationale for setting thresholds for MI indicators at certain levels.

Board/governing body reports | 2

- Inadequate consideration given to outcomes for different groups of customers, including those with characteristics of vulnerability. Presenting limited data relating to customers with different characteristics of vulnerability, sometimes treating it as a ‘catch all’ category rather than assessing the specific needs of certain groups of customers.
- Lack of evidence that an appropriate amount and types of information have been shared between the firm and third parties across the distribution chain.
- Absence of evidence that good outcomes are being delivered through outsourced consumer support. Firms cannot delegate any part of their responsibilities under the Duty to third parties, meaning they are responsible for ensuring the support provided meets the Duty standard. Include examples/analysis of the information being passed across the distribution chain that allows the firm to monitor if customers are receiving good outcomes.
- References to the firm’s culture being compatible and aligned with the Consumer Duty but without providing any evidence to support this. Could, for example, include details on staff training and remuneration and performance management practices.

Board/governing body reports | 3

- Not always evident that there has been effective challenge from firms' governing bodies on the content of the reports, for example, through the minutes of board meetings.
- Sometimes draw conclusions about the outcomes they are delivering that do not seem to align with the provided MI e.g.:
  - giving a detailed description of its work to support vulnerable customers while the MI indicates that fewer than half are receiving good outcomes;
  - or a similar statement but with continued high FOS uphold rates.
- Some action plans and improvements are not accompanied by further details such as timescales, action owners, and clarity on the data that would be used to evidence good outcomes.

Products and Services

What does good look like?

Product governance and development | 1

- Ensure a robust product approval process for new products/significant changes.
- Have clear criteria for what constitutes a new product or a significant change to an existing product – have safeguards against product design ‘creep’.
- Think about setting criteria for when a ‘light’ approval process might be used (e.g. new issuances of the same product).
- Identify the target market and then design products that meet the needs of end customers in that target market.
- Identify cohorts if customers in the target market for whom the product may not be suitable.
- Stress-test new products to ensure they are capable of delivering fair outcomes for the target market of end customers.
- Provide appropriate information to distributors and end customers.
- Monitor the progress of a product through to the end of its life cycle.
- PRIN2A.3 and 2A.4 do not apply for firms subject to PROD 3 (MiFID), PROD 4 (insurance), or PROD 7 (funeral plans) but the FCA’s comments on expectations across PRIN 2A.3/2A.4 and PROD have read across to each other.

Product governance and development | 2

Focus on needs

- Make positive changes to product development processes, focusing on how products will meet the needs of the specified target market and deliver good outcomes. Consider how to make it easier for customers to identify and access products they need.

Precise targeting

- Carefully define the target market for products and services that could cause harm if sold to the wrong consumers. Refine data and monitoring capabilities to track and contact customers who may have bought a product or service despite falling outside the target market (see Distribution Chain).

Sales journey

- Design sales journeys to clearly indicate the types of customers and needs products are appropriate for (and not for).

Product adaptations

- Introduce new products or adapt products to meet different customer needs and avoid risk of harm (e.g. simplification of the product/features, setting limits or controls, adding additional support mechanisms).

Act promptly

- Take prompt action when a product needs to be amended or withdrawn from the market. Determine if redress should be made to customers where harm is identified, including the methodology for doing so.

Distribution chain

Set appropriate distribution strategy

– Consider what distribution channels are appropriate for the product and if a product which should be sold with advice.

Effective information sharing

– Share relevant information with firms across the chain to quicky address risk of consumer harm and deliver good outcomes. Firms should consider what information they need from each other to achieve this.

Distribution strategy

– Manufacturers should regularly monitor how their products are being sold to ensure they align with the intended distribution strategy and target market.

– Collect and analyse appropriate management information (MI) so the firm can detect patterns in distribution as compared with the planned target market and assess the performance of the distribution channels through which products are being distributed.

– If issues are identified, such as third-party brokers not distributing products as intended, firms should take appropriate action, e.g. providing additional information to brokers.

Products and Services

Areas for improvement

Product governance and development | 1

Governance processes

- Ensure product approval process are embedded within all business units and used consistently across those different business units.
- Keep detailed minutes of discussions and other records to evidence product approvals, including fair value assessments and ongoing monitoring/periodic reviews. Be able to demonstrate these have been reviewed, adequately challenged and approved by the designated governance committees and then by the firm's governing body with clear rationales and evidence to support key decisions. Make sure any limitations of the analysis or evidence used to review and approve products are clearly set out.
- Consider escalation criteria where risk of poor outcomes and ensure relevant triggers are set at an appropriate level. Test that these are working in practice. Be able to evidence and give examples of where and how product governance issues are escalated to the governing body. Examples of issues that should be escalated promptly include products where customer harm has been identified or where the product is not performing as intended and has a material impact on customer outcomes.

Product governance and development | 2

Target market statements too high level

- Manufacturers should ensure they identify the target market at a sufficiently granular and detailed level. Target market statements should be detailed enough to ensure the distributor is considering customers’ objectives, risk profile, interests and characteristics and nature of the product.
- For mass market products, consider if they really are suitable for everyone or if exclusions or restrictions or operation of the product risk poor outcomes for some customer groups.
- Clearly identify groups of customers for whom the product would not provide the intended level of value. Where target markets are vague or too broadly defined and/or inadequate consideration of the nature of the product, firms may not provide fair value to some customer groups e.g. applications of limits and exclusions could create a risk that the firm may miss groups of customers that may not get fair value.

Co-manufacturers

- Some intermediaries failing to fully understand requirements around co-manufacturing and how they apply. A firm is a co-manufacturer where they can determine or materially influence the manufacture of a product or service, e.g. they have a decision-making role on the essential features and main elements of a product, including its target market, terms & conditions and price.
- Where firms are co-manufacturers, a co-manufacturing agreement should be in place (or at least another document containing the relevant provisions). Without this it will be unclear how firms have collaborated to ensure they meet the requirements of the Duty.
- Co-manufacturing agreements should:
  - Clearly set out each co-manufacturer's respective roles
  - Specify how they will collaborate to comply with the Duty requirements for manufacturers
  - Provide for how and when remedial action will be taken where one party to the agreement may be in breach of the requirements, e.g. in providing redress to customers or to cease trading with the other party/parties.
- It could also:
  - Provide for regular meetings for all co-manufacturers to share updates and discuss product performance.
- Each co-manufacturer's governing body should be:
  - Satisfied that the firm has sufficient and appropriate data on the co-manufactured products to review product performance and customer outcomes; and
  - Be able to evidence how they have approved the outcome of the product reviews and fair value assessments.

Distribution chains

Firms not always understanding their role in the distribution chain and their responsibilities:

- **Material influence**: distributors should identify and assess where they are exercising material influence over customer outcomes even where they have no direct relationship with retail customers. This includes considering their remuneration, the interaction with the services and benefits they provide and the consequential impact on the product’s value.
- **Product distribution arrangements**: these can be too high level and lack sufficient detail on distribution strategy (risking products being distributed outside the target market), remuneration and obtaining information from manufacturers.
- **Target markets**: Ensure the target market statement distributors use is aligned to the manufacturer’s statement. In some cases the statement used by the distributor differed materially e.g. less granular than the manufacturer’s or less clear in identifying customers for whom the product is not expected to provide fair value. Raises concerns about the product being sold to customers outside the target market and the resulting risk of harm.

Distribution chains

Governance

– Some distributors unable to adequately evidence their decision-making and how the firm maintains adequate oversight of product distribution arrangements. Some distributors have processes for at least an annual review of products, these can often miss details on the triggers to identify the need for more regular review. Some distributors do not have adequate processes for getting the necessary information from the manufacturer that would allow them to meet their obligations.

MI

– Some distributors do not have adequate relevant MI to assess the impact of their own activities (including remuneration) on the product’s fair value and whether the product continues to provide the intended value to the target market. Firms may be getting levels of remuneration which adversely impact the product’s value and do not bear a reasonable relation to the services and benefits they provide.

Price and value

What does good look like?

Meaning of fair value

– Fair value is about more than just price. The Duty aims to tackle factors that can result in products or services which do not meet consumer needs, or are unfair, such as unsuitable features that can lead to foreseeable harm or frustrate the customer’s use of the product or service, or poor communications and consumer support.

– Consider:

  - If the customer receives fair value across the distribution chain
  - If pricing models give fair value to different groups of customers
  - How fair value meets customer reasonable expectations
  - Where fees and charges erode value (investments), how this can act as a sludge on customers exiting/switching
  - Making adjustments to, or putting controls or caps in place, where charges over a certain amount do not give fair value to certain customer groups
  - Offering other product or service options to customers that may give better value to them
  - Improving the benefits of products to improve the value proposition
  - How customer communications facilitate customer understanding on fees and charges

Monitoring value assessments

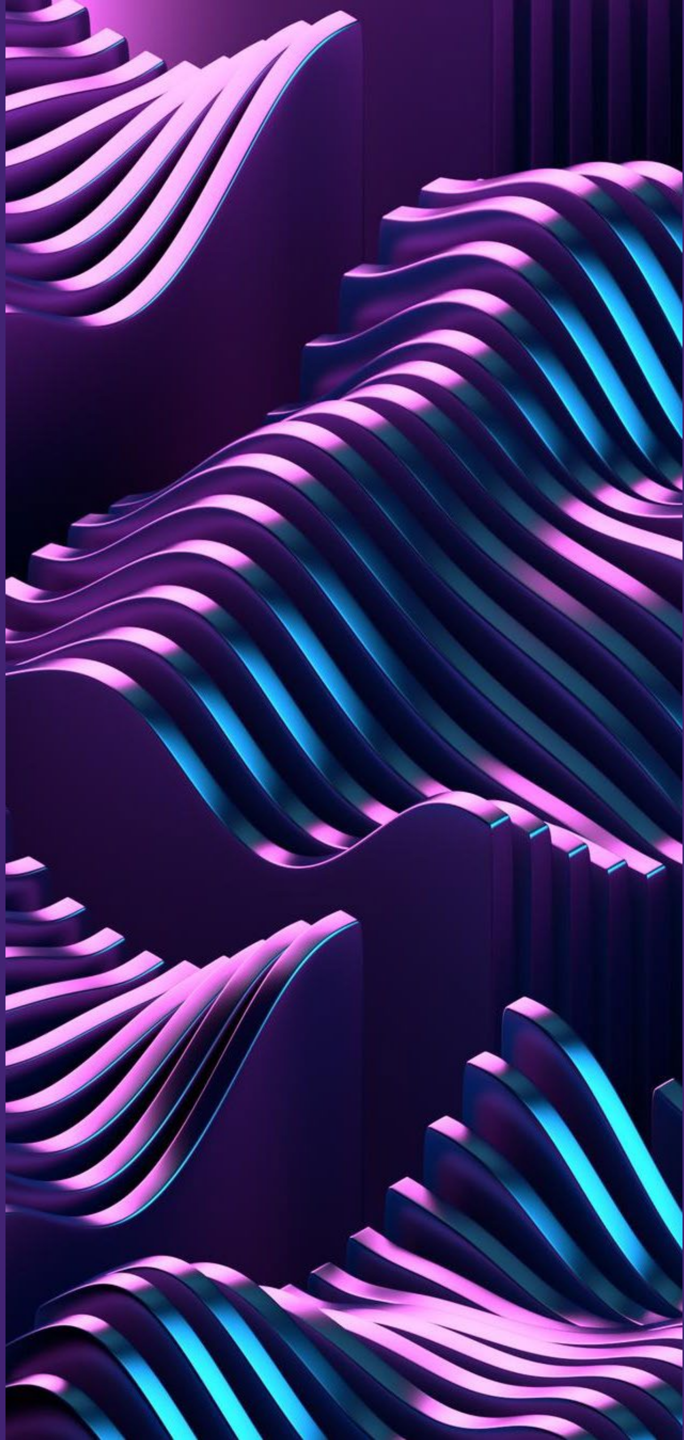
– Metrics used to measure fair value should have a clear supporting rationale
– Tailor metrics and tolerance limits for each product or group of similar products – recognise individual products perform differently and have different target markets
– Regularly review metrics/tolerance levels to ensure they remain appropriate and relevant
– Keep price and value assessments up to date
– Keep under review as wider macro-economic conditions change
– Firm's governing body and senior management should challenge how limits are set for each metric and how these give fair value for each product/group of similar products
– Any limitations in data or MI should be clearly set out, along with the potential risks of these limitations and how these risks are mitigated
– Take swift action to remediate where identify value issues
    - Investigate the root causes and if customers have suffered harm
    - Consider reducing or amending prices (e.g. removing minimum fees)/improving benefits or customer journeys
    - Where appropriate, withdraw products from the market until value issues ae resolved

Price and value

Areas for improvement

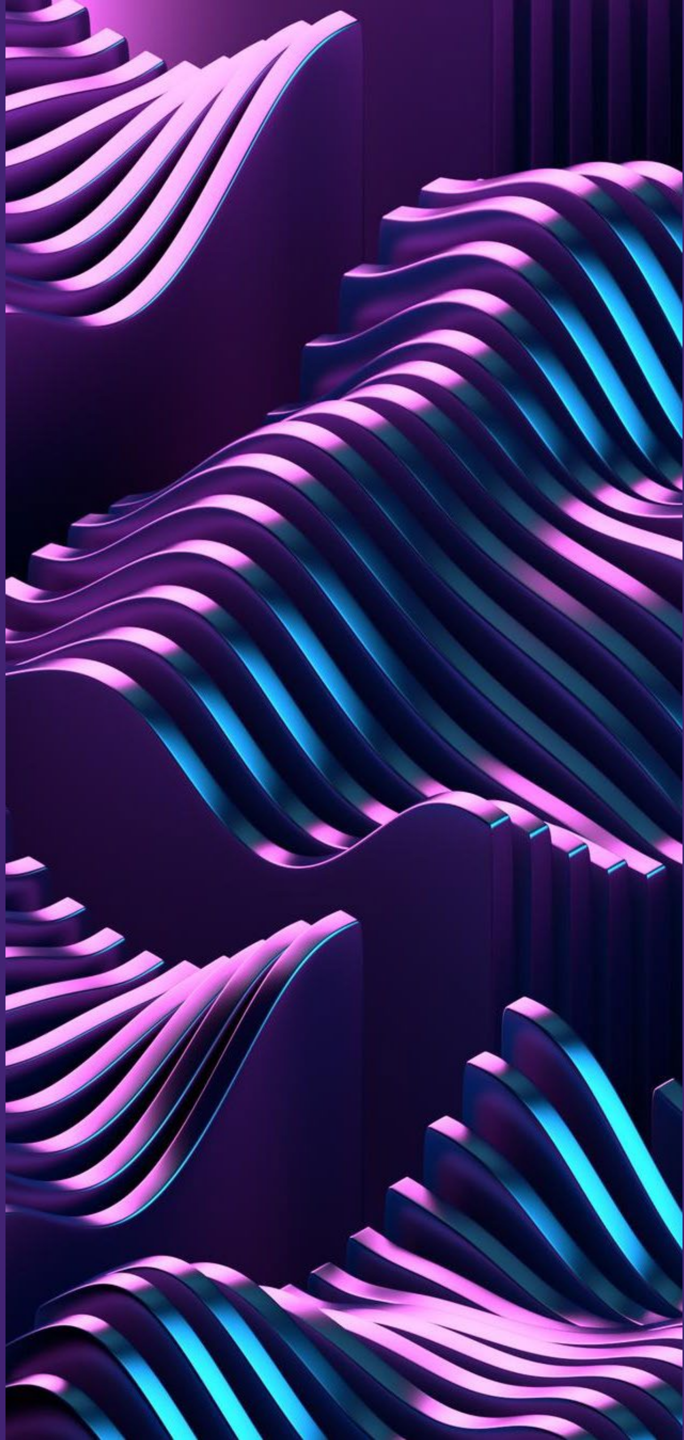
Inadequate value assessments | 1

- Fair value assessment frameworks not adequately embedded in processes and used effectively/consistently.
- Generalised templates used where not always clear how would apply to products with very different characteristics and where may serve different target markets. Where different products or services have different features or target markets, they should be considered separately.
- Assessments often very generic – do not provide any real insight or assurance to support the product providing fair value. Not always properly supported by appropriate evidence or set out how this has been considered.
- Assessments should consider the interaction between fair value and other elements of the Duty. Some firms failing to explain why a product offers fair value based on its nature, benefits, limitations and total cost to customers, as well as behavioural biases such as how sludge practices or complexity of products could impact fair value.
- Some firms:
  - Using relatively undemanding thresholds for deciding if good outcomes are being achieved
  - Using low complaints data to justify positive service quality scores without inclusion of other relevant metrics
  - Relying on customer awareness of the fees and charges as ‘evidence’ the product gives fair value in absence of other evidence of assessment
  - Relying solely on comparisons with similar products in the market without qualitative reasoning to show fair value across the full range of value assessment considerations or making adjustments for differing product or service level offerings. Benchmarking is just one consideration and could mask fair value considerations across the wider market.



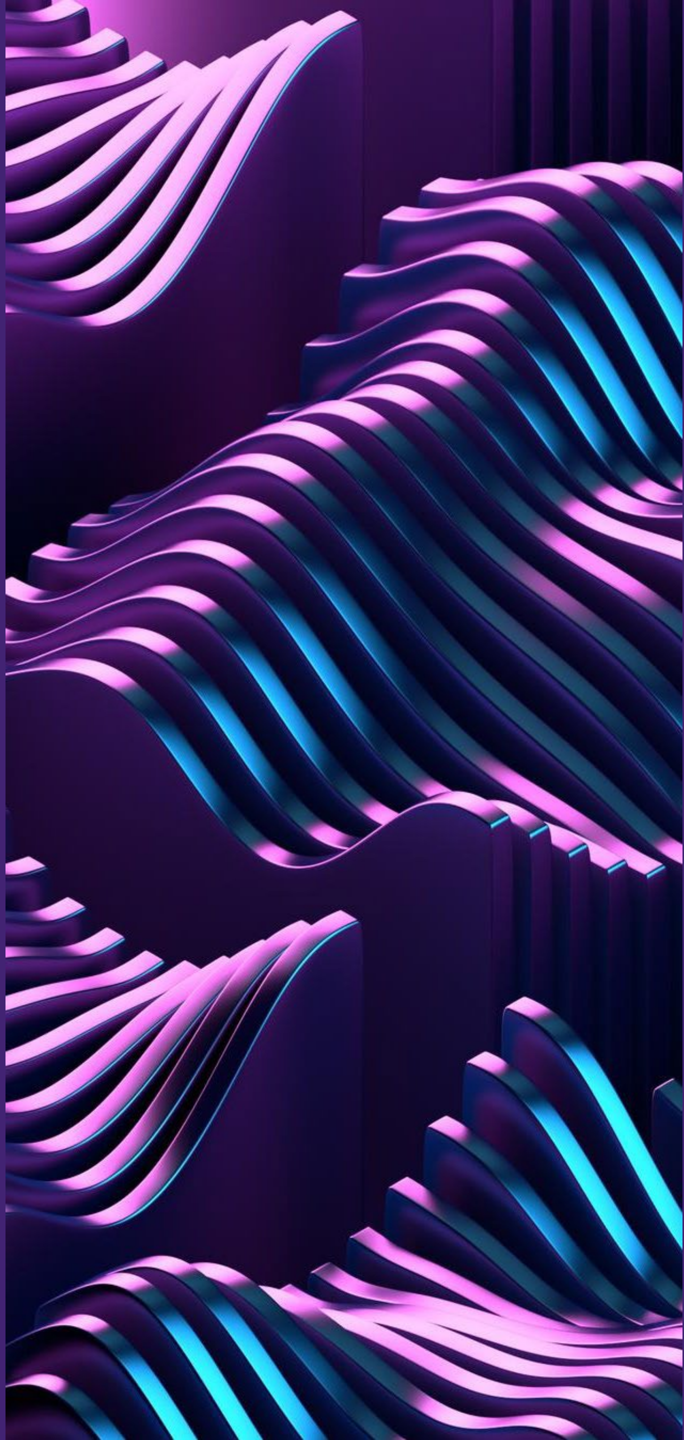
Inadequate value assessments | 2

- Failing to adequately consider different groups of customers who use a product or service and how the costs and benefits fall on those groups.
- Firms should consider appropriateness of customer segmentation and value each group receives e.g. back-book, long-term customers, customers using different channels, vulnerable customers, inert customers, customers at risk of paying higher fees and charges, varying characteristics in relation to their understanding of financial matters. Identify which customers:
  - Are likely to get value from the product
  - Are less likely to get value from the product
  - Contribute to higher profit margins
- Avoid over-focus on group averages for different customer cohorts – consider outliers too. Focussing on averages may disguise pockets of customers receiving poor value.
- Some firms charging for a service they are not providing or customers are not benefiting from – review ongoing services to customers who don’t need them or are not receiving them.
- Not taking into account information available from improved processes on costs allocation and use of economies of scale.



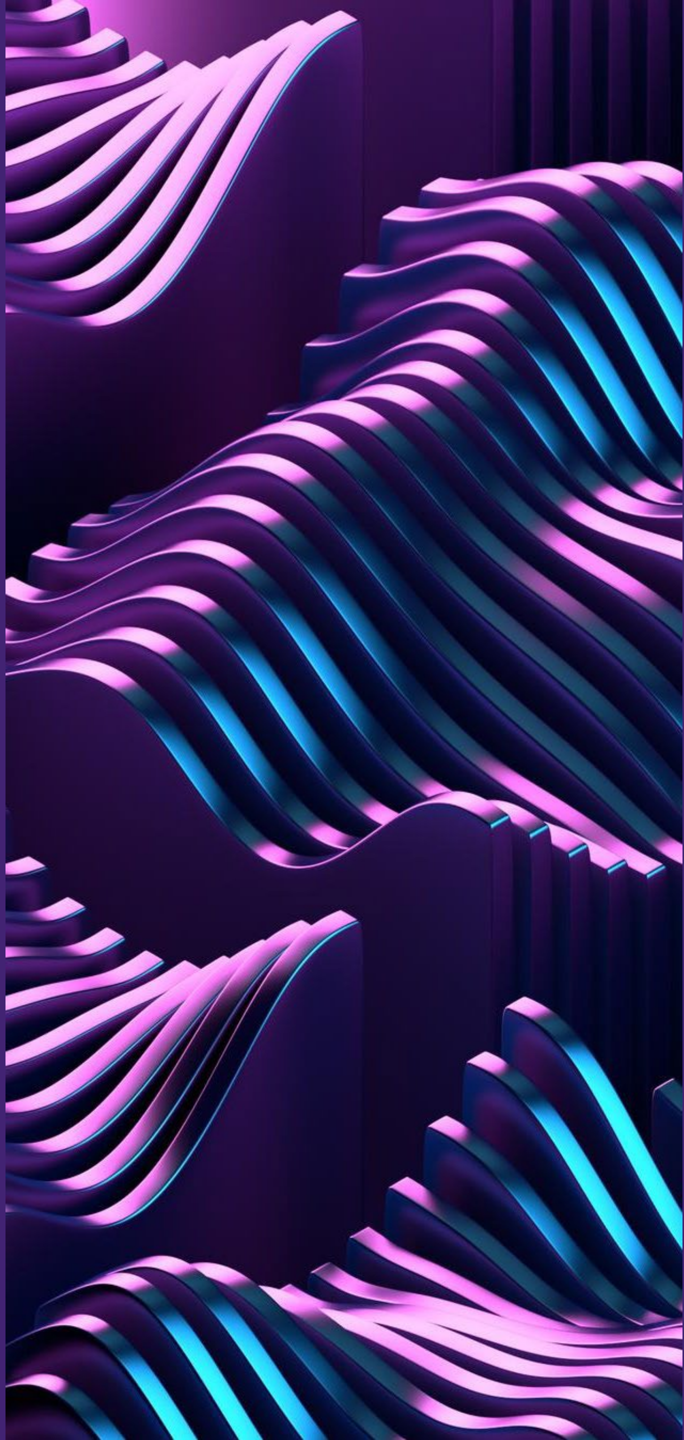
Distribution chains | 1

- Some manufacturers not adequately assessing the impact of distribution arrangements on the product's value.
    - Firms not always able to show they have assessed the remuneration of distributors (any commission, fee, charge, or other payment) or how this is consistent with providing fair value. This includes not considering the type and quality of the services the distributor provides and if this is reasonable compared to the level and amount of remuneration. Exposes customers to the risk of products being sold via distribution chains which may negatively affect the products' value.
- Some firms failing to share sufficient information to enable other firms in the distribution chain to properly assess value to the end retail customer or understand what the firm is doing where it considers a product does not provide fair value.
- Some distributors receiving only limited information from the manufacturer on the fair value outcome.
    - Some manufacturers simply stating the product offers fair value with no other information to back up the statement. Unclear how distributors can understand the intended value of the product based on the information provided.



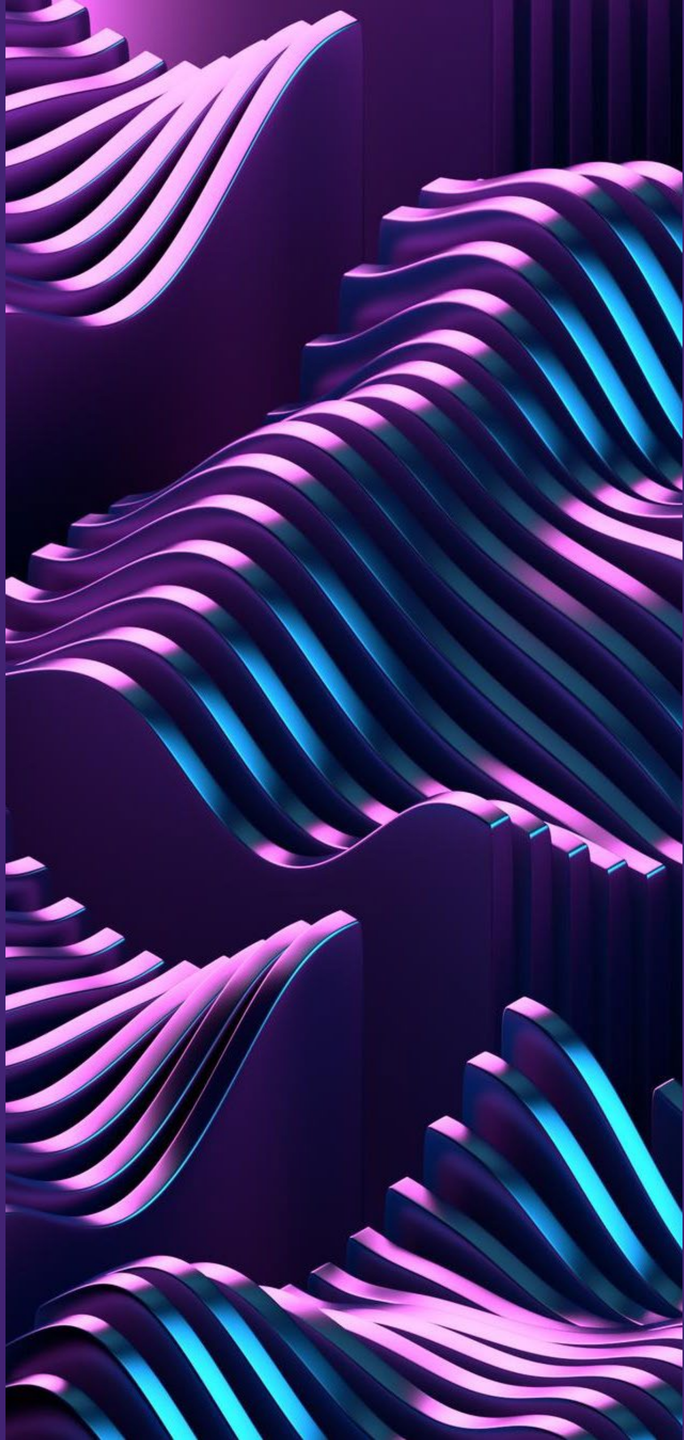
Distribution chains | 2

- Some distributors unable to evidence they have appropriately assessed if their remuneration is consistent with the product providing fair value.
  - I.e. assessing the interaction between the price paid by the customer, the extent and quality of the distributor’s services and whether any remuneration means the product ceases to provide fair value.
  - There is often no breakdown of the total remuneration, creating a lack of clarity of the impact of the different components, such as commissions and fees, on the total price the customer pays and the product’s overall value. Added fees along the distribution chain can mean the overall cost to the end consumer does not represent fair value. Particularly relevant where there are long or complex distribution chains with multiple fees added by multiple parties.
- Focus on commissions and intermediaries:
  - Consider impact commission has on intermediaries’ incentives and potential for poor customer outcomes, both for non-advised as well as advised sales e.g. encouraging customers to switch unnecessarily to earn repeat commission.
  - Where distribution costs form a higher proportion of the total price to the customer, consider if or how this equates to greater benefits for customers. Firms should be careful not to pass on higher costs which provide no proportionate benefits.
  - Even where distribution costs may appear low as a proportion of the total price, firms must still demonstrate that these costs are consistent with providing fair value. Total remuneration may increase significantly, even if it is decreasing as a percentage of the total price.



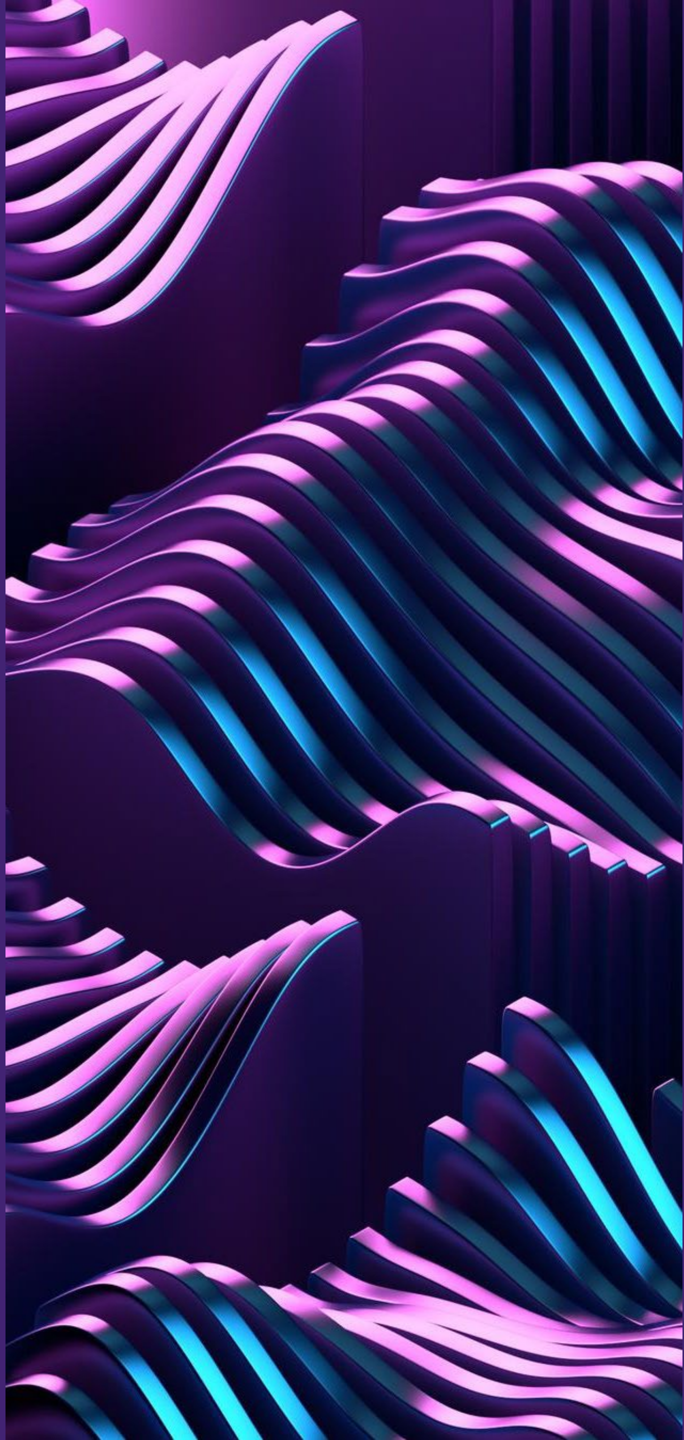
No overall evaluation

- Firms listing the elements that make up the price and value assessment but failing to take the last step and clearly assess whether fair value provided or give a clear rationale for this assessment.
- Some firms making high-level or unevidenced arguments that business models/ethos are inherently fair.
- Acting on assessments:
    - No remediating actions identified, actioned and monitored where shortfalls in the delivery of fair value.
    - Few examples of products being suspended or withdrawn where firms identified products may not be providing fair value. Where firms withdrew products, often purely for commercial reasons.
    - Clear breach of the Duty for firms to fail to act when they identify issues that may cause customer harm, including the risk that a product does not provide fair value.



Ongoing monitoring

- Incomplete or inappropriate suites of product-specific MI showing how the product is performing and how this aligns to fair value.
- Lack of data for monitoring distributors' remuneration to ensure it is consistent with providing fair value. Firms unable to show they have considered how to address remuneration that may become inconsistent with delivering fair value e.g. setting a cap on the amount of remuneration or setting a risk tolerance limit to identify when remuneration reaches a level inconsistent with providing fair value.
- Standards or tolerance limits set for each metric used to measure fair value not supported by any rationale of why these limits are appropriate or sufficient to ensure the product provides fair value or to take prompt action if there are problems. This in turn impacts the effectiveness of ongoing monitoring with RAG ratings showing Green when these outcomes may not be supportable.
- Boards not providing sufficient challenge on fair value assessments – some accepting information provided to Boards at face value without probing further and understanding the firm's methodology.



Consumer support

What does good look like?

Customer journeys | 1

Customer needs

– Be able to demonstrate have identified and considered support needs of customers, particularly vulnerable customers.

Service level agreements

– Have clear internal SLAs on delivering customer support that align to customers’ reasonable expectations and cover the different steps in the customer journey. Promptly address any shortfalls.

Remove obstacles

– Identify negative obstacles and ‘sludge’ practices that hinder customers from acting in their own interests e.g. requests for documentary evidence – consider different risk tolerance levels when determining if documentary evidence required.

Positive interventions

– Consider when to direct customers to speak with an agent for tailored support.

Customer journeys | 2

Encoding engagement

- Create more touchpoints with customers to prompt them to make better decisions.
- Provide context for why information is needed and how it will be used when asking customer questions or requesting specific information.
- Sending follow-up documentation after conversations, including summarising key points discussed, agreements made and any actions needed.

Exit channels

- Enable customers to exit products through a wider range of channels.

Customer feedback

- Look at online forums where customers give feedback and send regular invitations to online surveys allowing customers to share their views.

Consumer support

Areas for improvement

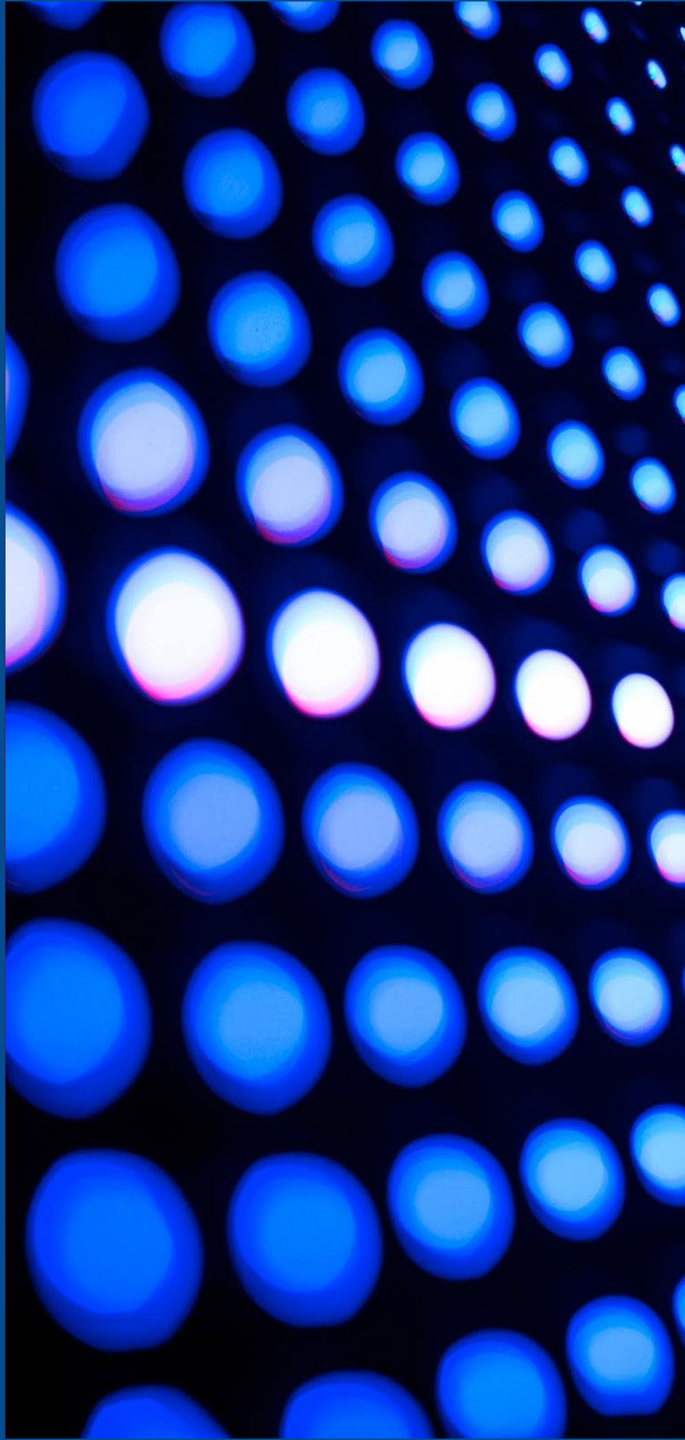
Customer journeys | 1

Vulnerable customers

- Firms not able to demonstrate have sufficiently considered the needs of their customers, including vulnerable customers.
- Firms not always clearly pointing customers to key support channels.
- Digital channels – firms' arrangements for identifying vulnerability limited within digital channels. Consider how and when appropriate friction can be added to enable vulnerable customers to be identified and supported, without adding complexity or unnecessary barriers for those without additional needs.
- Where vulnerability identified, firms not always carrying out regular proactive reviews to understand if the customer's circumstances have changed and if the support provided needs adjusting.

Poor complaint handling

- Firms unable to demonstrate good consumer support outcomes on complaints handling, exacerbating poor delivery of consumer support overall (see below).



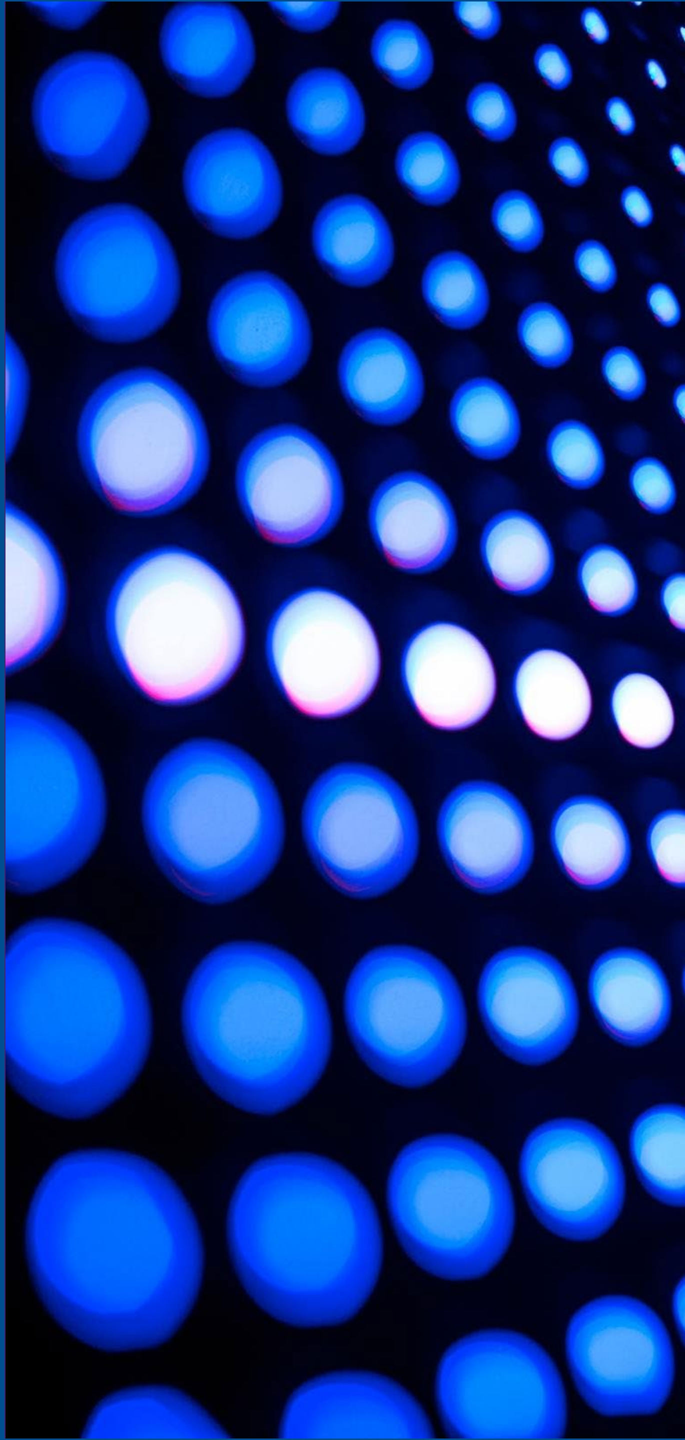
Customer journeys | 2

Staff training

- Not all staff trained well enough to handle complex conversations effectively, understand customer circumstances, and provide appropriate solutions.
- Consider how rigid scripting might mean vulnerabilities are missed, not probed or not recorded.
- Invest in training staff so they can engage in diverse communication styles and implement inclusive practices.
- Focus on soft skills training: how to be empathetic while also adopting sensitive questioning and probing.

Communication styles

- Consider the tone of communications. Do written communications reflect the tone of verbal communications? Is messaging consistent, does it encourage the customer to engage?



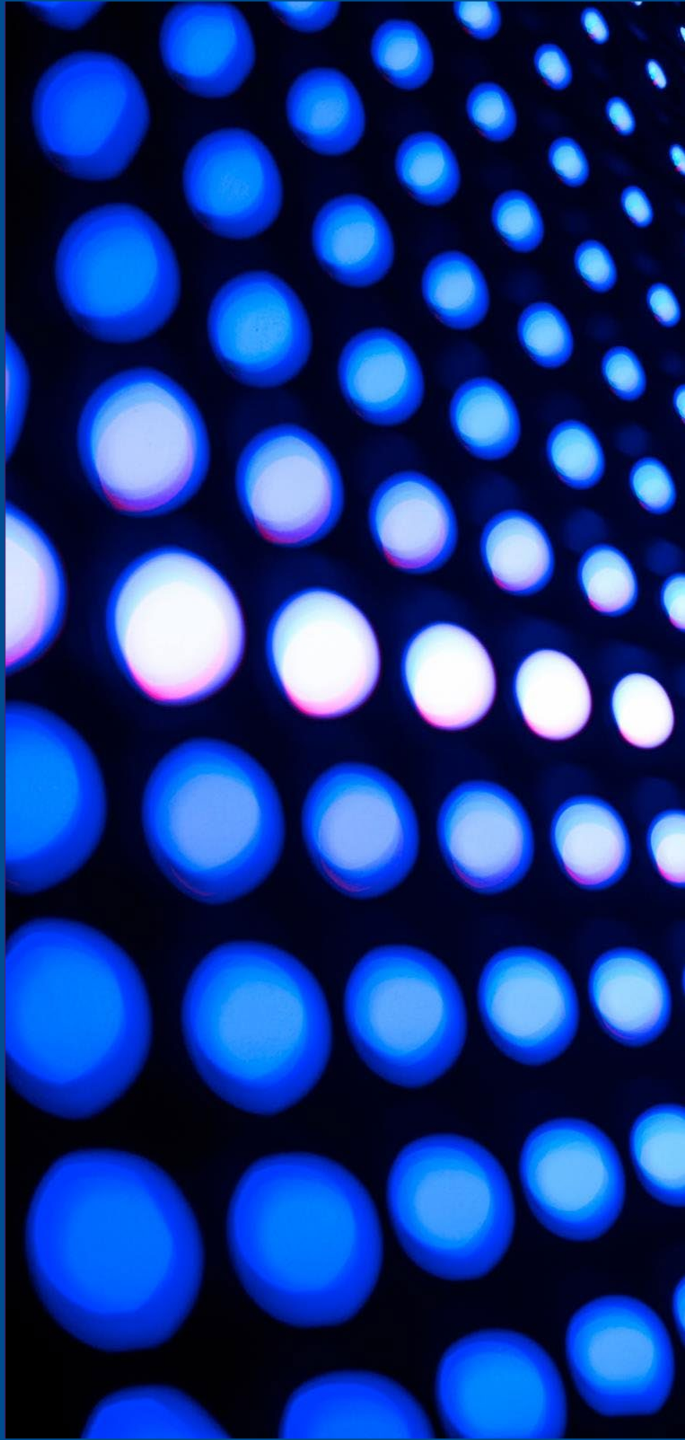
Robust systems and controls

Service level agreements

- Expect firms to set service measures that are clear and realistically reflect good customer outcomes across all their servicing teams. Includes those operated by OSPs.
- Should be consistency in SLAs across the business. Where inconsistent makes it harder for the firm to compare outcomes.
- Some SLAs set at thresholds that are too low at a level that cannot reasonably represent good outcomes and are never likely to be breached.
- Should collect and interrogate MI on SLA performance to help detect when service delivery falls below their outcome measures. Act quickly to mitigate risk of harm to customers.

Fraud and cybersecurity

- Focus on robust systems to protect and help consumers from loss of investments, savings or personal data due to fraud or cyber-attacks.
- Provide prompt and appropriate support for victims of fraud.



Customer understanding

What does good look like?

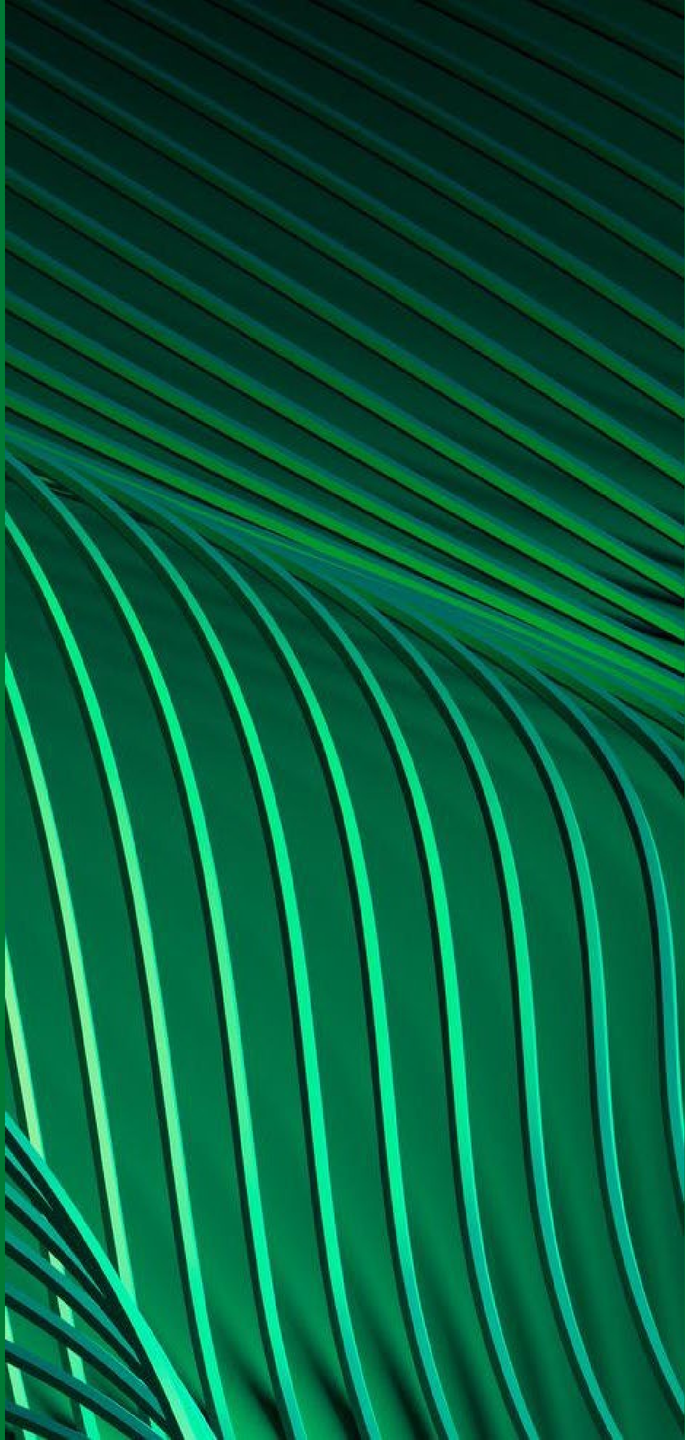
Communications and journeys

Improved communications

- Layout and presentation: Enhancing content layout to improve clarity. Divided into manageable sections.
- Simplified language: Using simpler language and creating resources like a ‘jargon buster’ library.
- Website accessibility: Making websites easier to navigate, especially for finding contact details.
- Independent/third party seals of excellence: Assessment of readability, website navigation, functionality, design, accessibility, and audience suitability.
- Balanced marketing: Ensuring marketing materials do not exploit customer biases and provide balanced information.

Redesigning customer journeys

- Fee and charge notifications: Adding prompts and notifications about potential fees during the customer journey.
- Clear product information: Providing clear lists of what is and isn’t included with products.
- Signposting: making customers aware of how they can obtain additional support and the benefits of this. Link this back to how this could improve the customer’s situation.



Testing and monitoring

Proactive communications

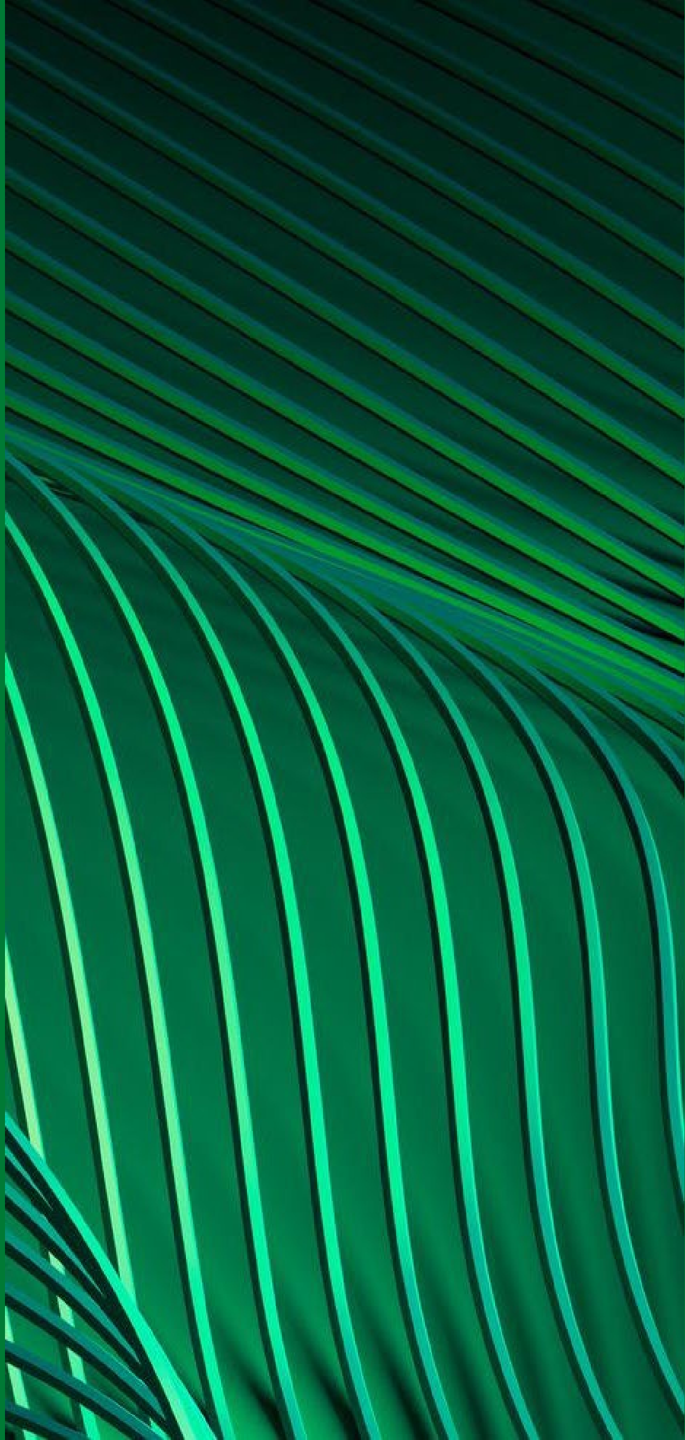
- Data Utilisation: Use data to identify customers who may not be benefiting fully from products (e.g. not earning enough interest) and inform them of their options.
- Impact Monitoring: Track how these communications influence customer behaviour. Check if they take the expected action.

Testing customer understanding

- Surveys, Experiments, and Interviews: Implement these methods to gauge customer comprehension.
- Focus Groups: Test documents with focus groups to ensure customers understand their options to change or cancel products or services. Could include pre-testing among target consumers or using groups of staff with similar characteristics to the target market.

Board reporting

- Where high volume of communications, firms can summarise the extent of their assessments for the highest priority communications. Provide illustrative case studies and percentage of communications that require changes.



Customer understanding

Areas for improvement

Testing and monitoring

Testing and approval processes

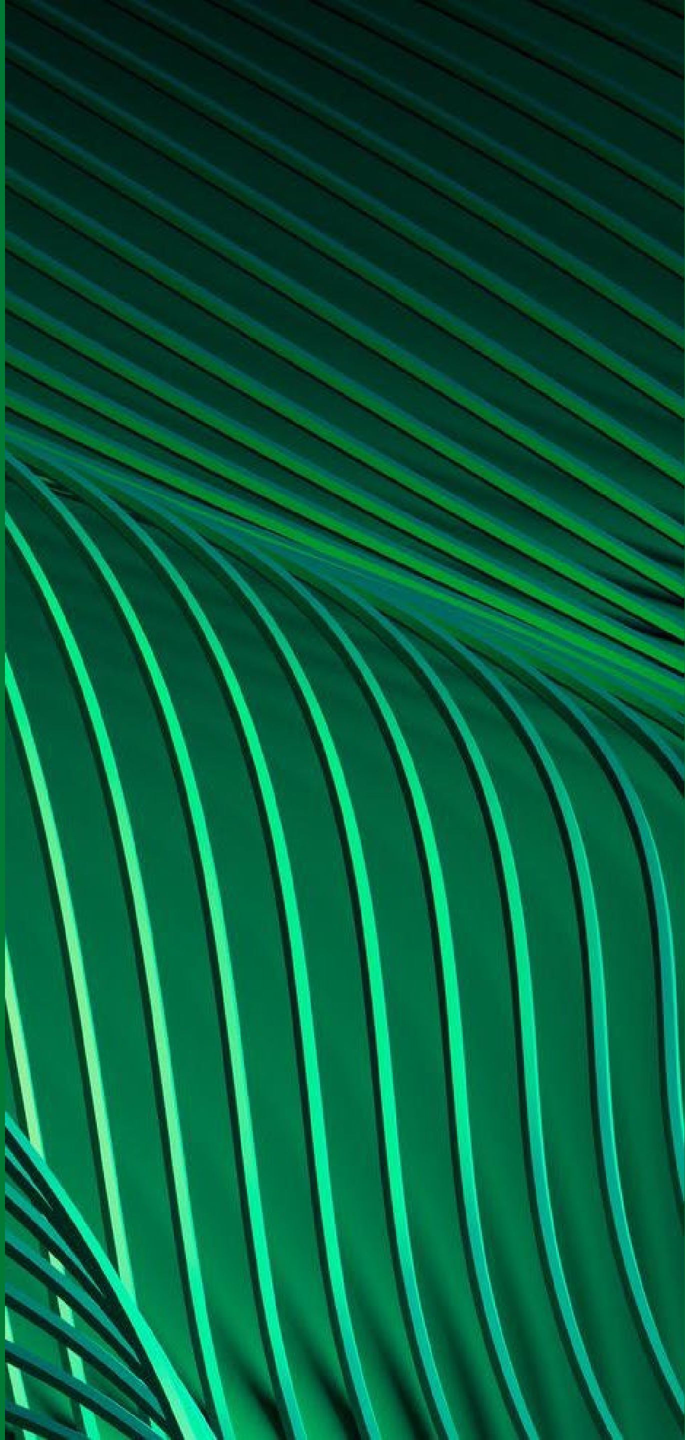
– No visible change in approval processes for customer communications from those that existed before the Duty came into force.

– Limited or no pre-testing or post testing of communications.

Limited monitoring

– Consider need for monitoring of consumer understanding after communications sent e.g. email surveys to customers to test understanding of online and other customer communications and assess complaints data.

– NB some firms using email open rates or net promoter score measures – but these do not indicate understanding.

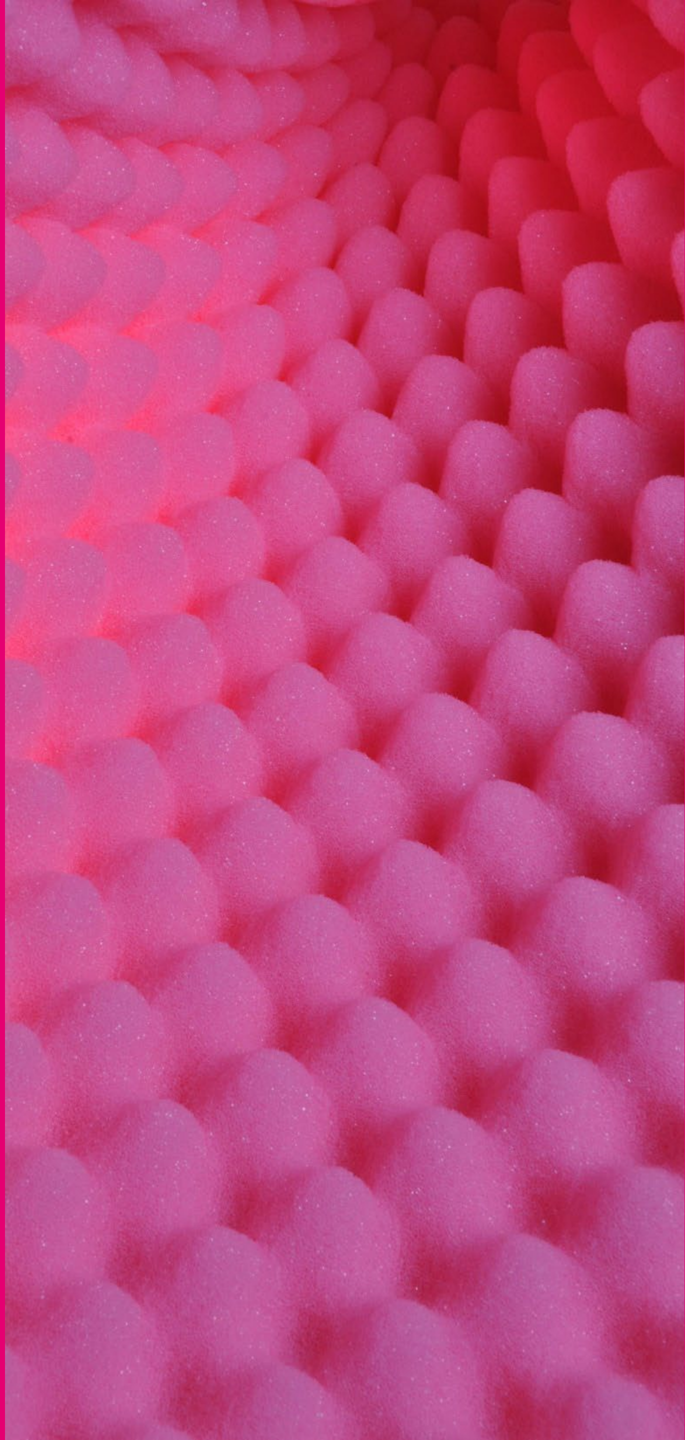


Complaints handling

What does good look like?

Assessing complaints data

- Maintain processes for carrying out root causes analysis of complaints and build into MI – identify trends and themes:
  - Complaint volumes, products, customer cohorts
  - Complaint outcomes and rationales
  - FOS complaint outcomes and rationales
  - Quality Assurance on complaints handling
  - Root causes.
- Review complaints MI in the context of other MI on customer outcomes – identify common themes and insights.
- Create action plans to address findings, with clear accountability and timelines.
- Some firms bringing different parts of the business together to understand what complaints data is telling them and where and how to take action.
- Some firms have working groups to discuss issues faced by customers with characteristics of vulnerability, e.g. holding monthly meetings to review existing governance documents and update policies to help address issues raised.

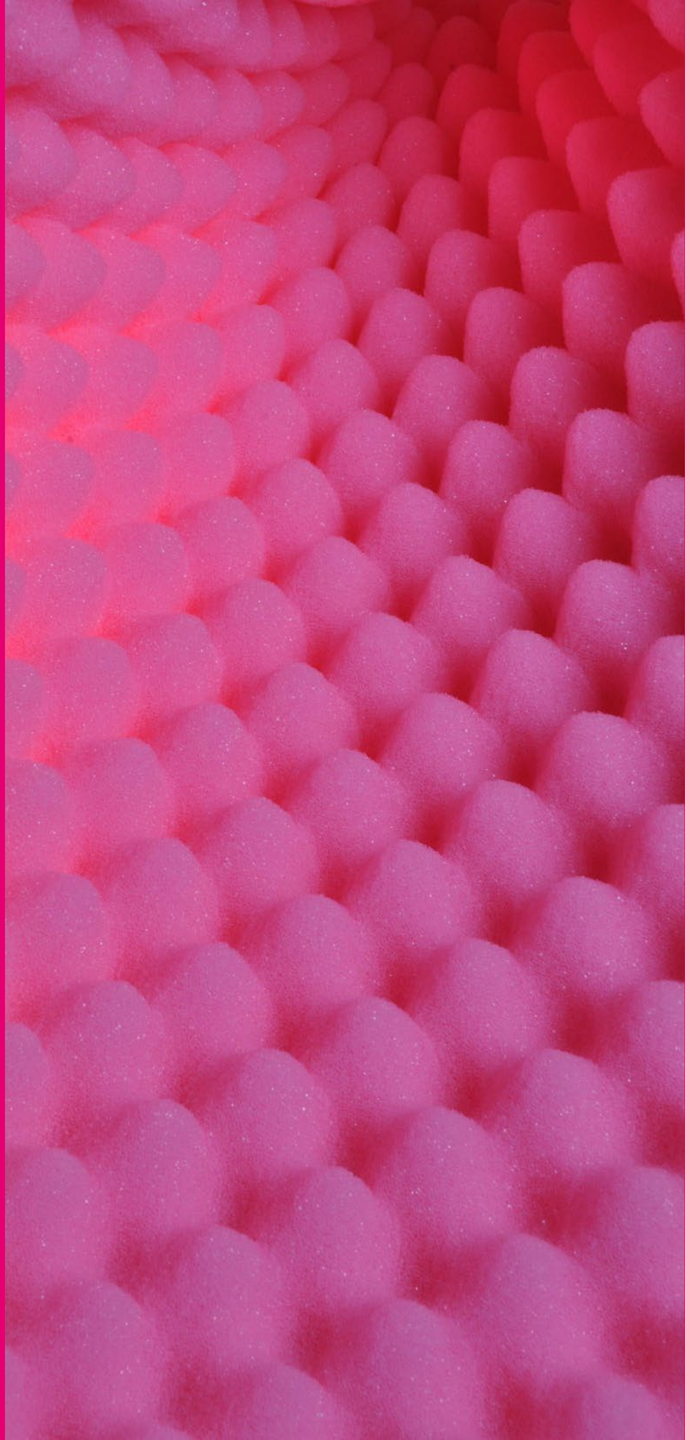


Complaints handling

Areas for improvement

Assessing complaints data

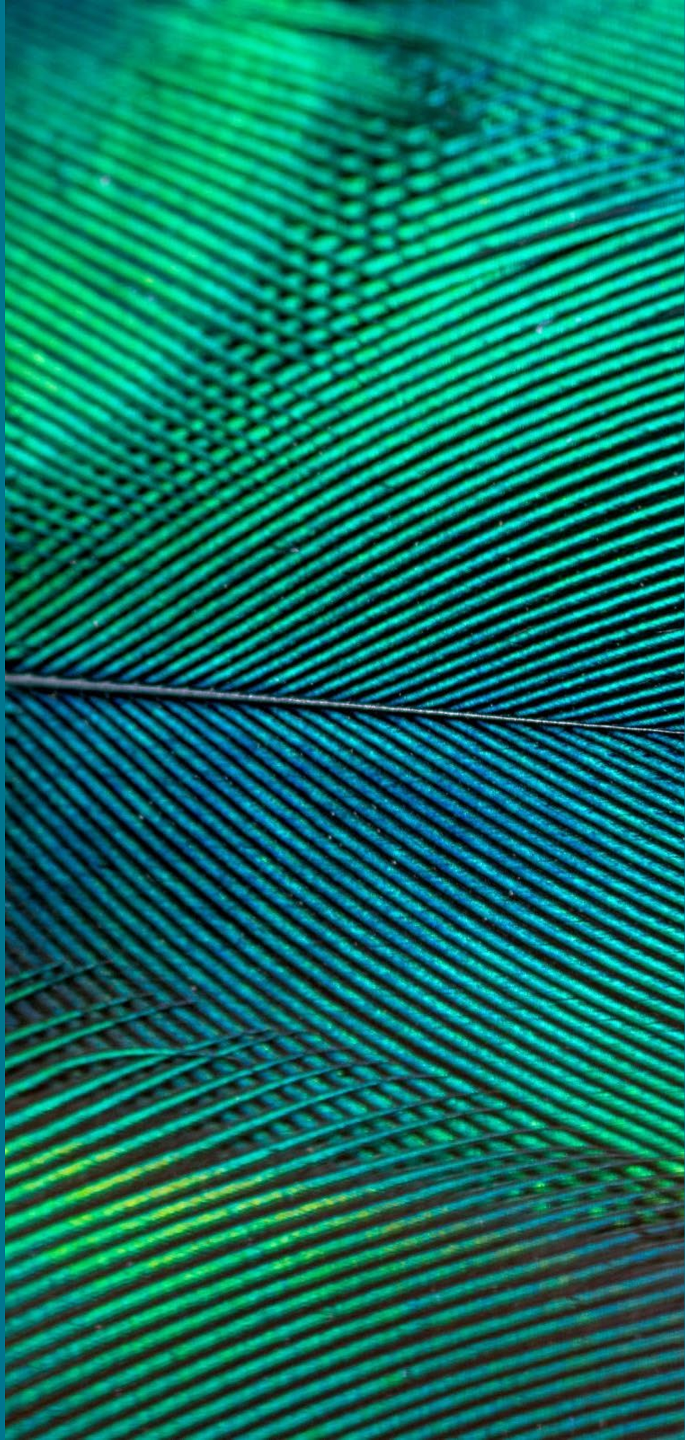
- MI on complaints data not always sufficiently granular to evidence the outcomes for different groups of customers, including vulnerable customers, trends and systemic issues – meaning some issues not properly identified.
- Not always clear if complaints MI has been appropriately discussed and challenged and what actions are being taken as a result – meaning opportunities to improve customer outcomes are being missed.
- Not always acting on root cause analysis – some firms see the RCA as the end goal rather than focusing on the need to take action to improve customer outcomes.
- Firms not always measuring the impact of any remedial actions they take as a result – meaning some actions not as effective as they might be.
- Some firms limited remedial action to staff training, rather than considering more holistically whether any other actions might be appropriate.



What next for 2025?

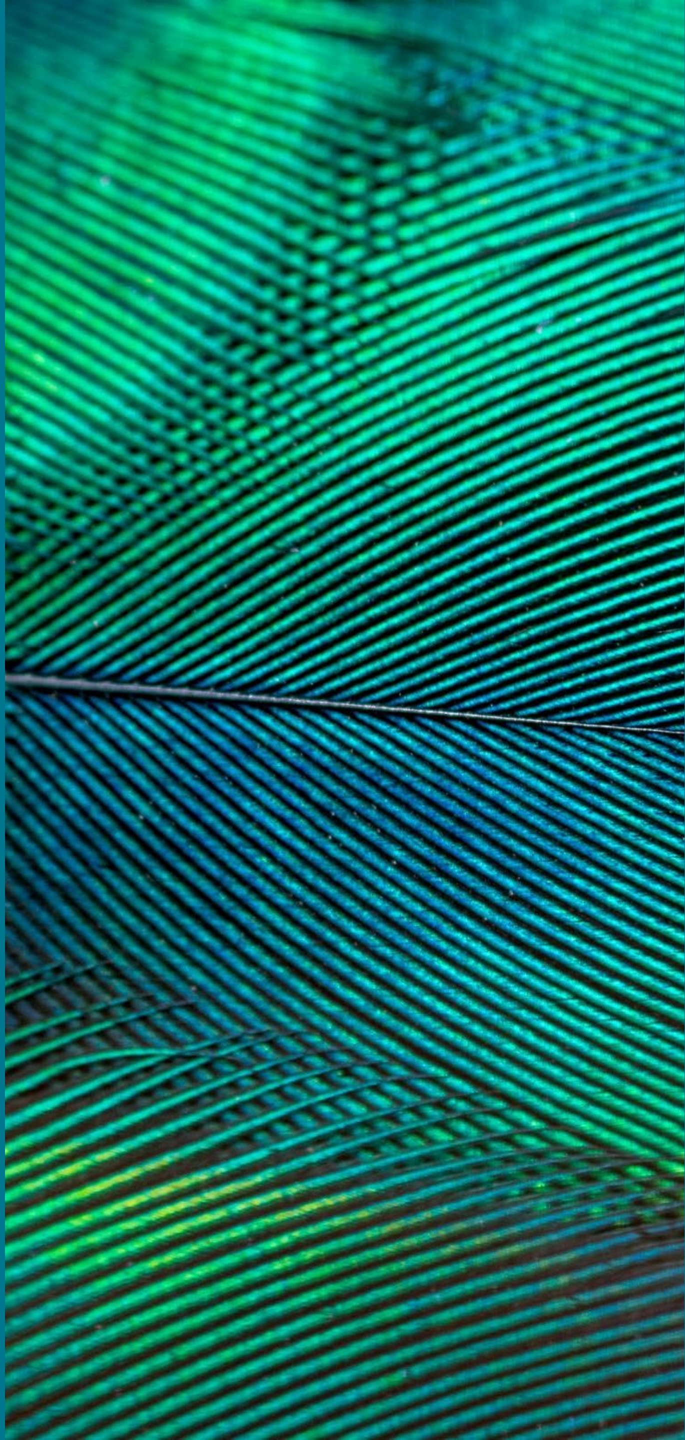
FCA rule review to simplify handbook

- FCA wants to see where it can simplify its retail conduct rules and guidance.
- On 25 March 2025, it published FS 25/2 which outlines the action it intends to take following its Call for Input in July 2024.
- FCA has identified targeted steps to amend or simplify discrete areas of its rules to introduce more flexibility, more predictability and improved efficiency.
- Headlines include:
  - Clarifying how the Duty applies in the distribution chain
  - Clarifying rules on product governance and fair value
  - Addressing outdated references to P6 and P7 and the TCF initiative
  - Increasing flexibility in retail banking disclosures
  - Mortgage rule review
  - Making definitions more consistent
  - Addressing the international application of conduct rules
  - Retiring outdated guidance and supervisory communications
- The FCA will consult on clarifications of its Handbook materials throughout 2025.
- A further FCA statement on the review's progress is expected in September 2025.
- DP24/1: FCA discussing amending the scope of the Consumer Duty and PROD 4 rules in relation to commercial and bespoke insurance business, including amending the manner in which the rules apply to co-manufacturers.

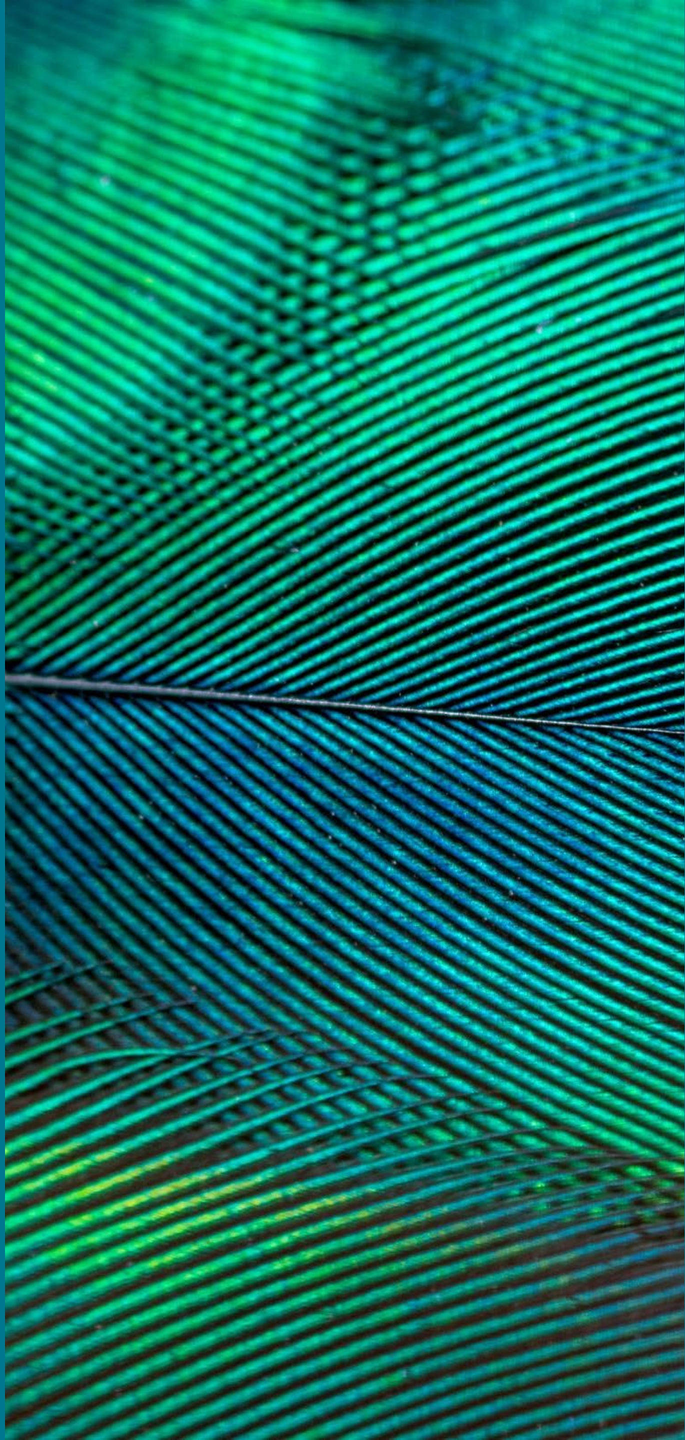


Vulnerable customers

- FCA Review of firm’s treatment of vulnerable customers (including older customers) – findings published 7 March 2025.
- Firm specific feedback to wealth management firms in H1 2025.
- Focus on firms’ understanding of consumer needs, the skills and capability of staff, product and service design, communications and customer service.
- Expectation on firms to:
  - Produce and regularly review appropriate MI on the outcomes delivering for vulnerable customers
  - Monitor and assess whether meeting and responding to the needs of vulnerable customers and make improvements where this is not happening
  - Be able to provide FCA with the information the firms is using to monitor if it is achieving outcomes for vulnerable customers that are as good as those for other customers.



Consumer support



Consumer support

- FCA due to publish its findings on its review of how firms are supporting consumers. The aim of this work is to identify and share good practices and challenge firms who offer poor levels of support to customers, including those with characteristics of vulnerability. FCA will share its findings in early 2025.
- Looking at how firms support their customers across the customer journey and how they are using communications to support informed consumer decision-making.

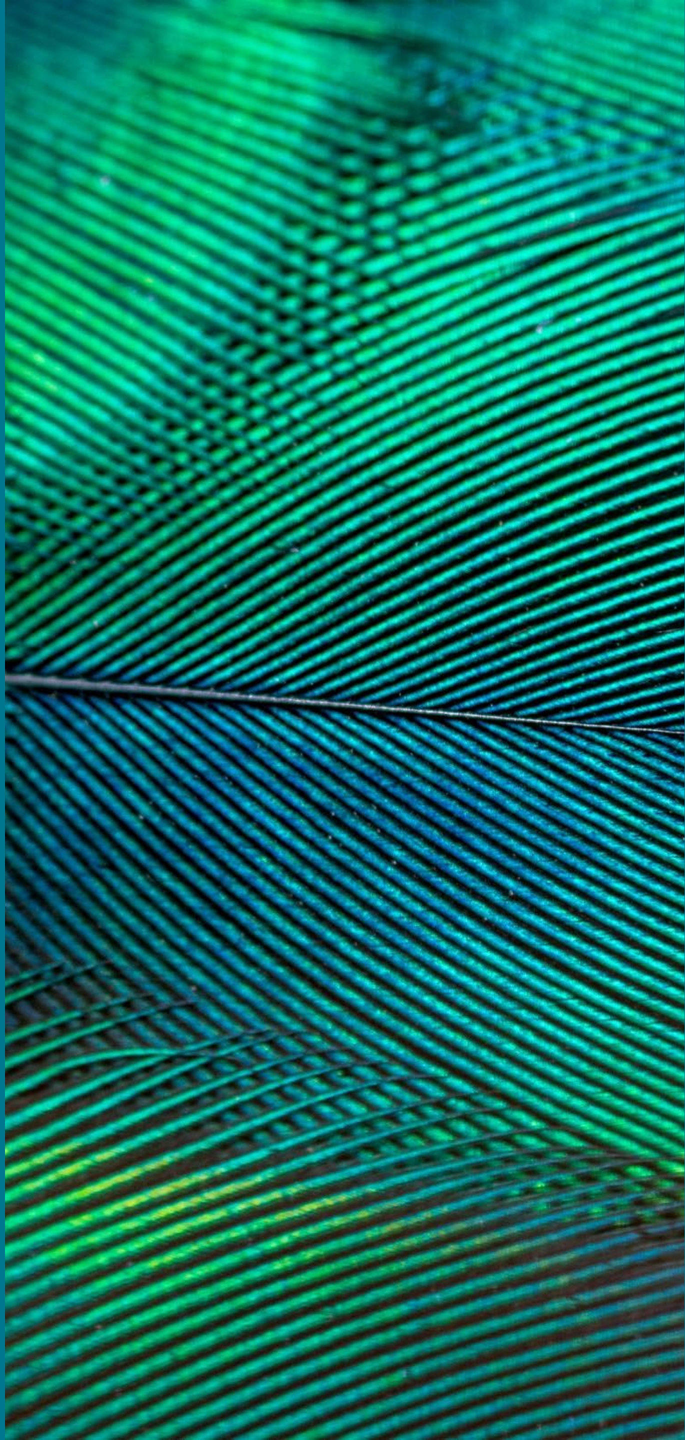
Market studies

Market studies:

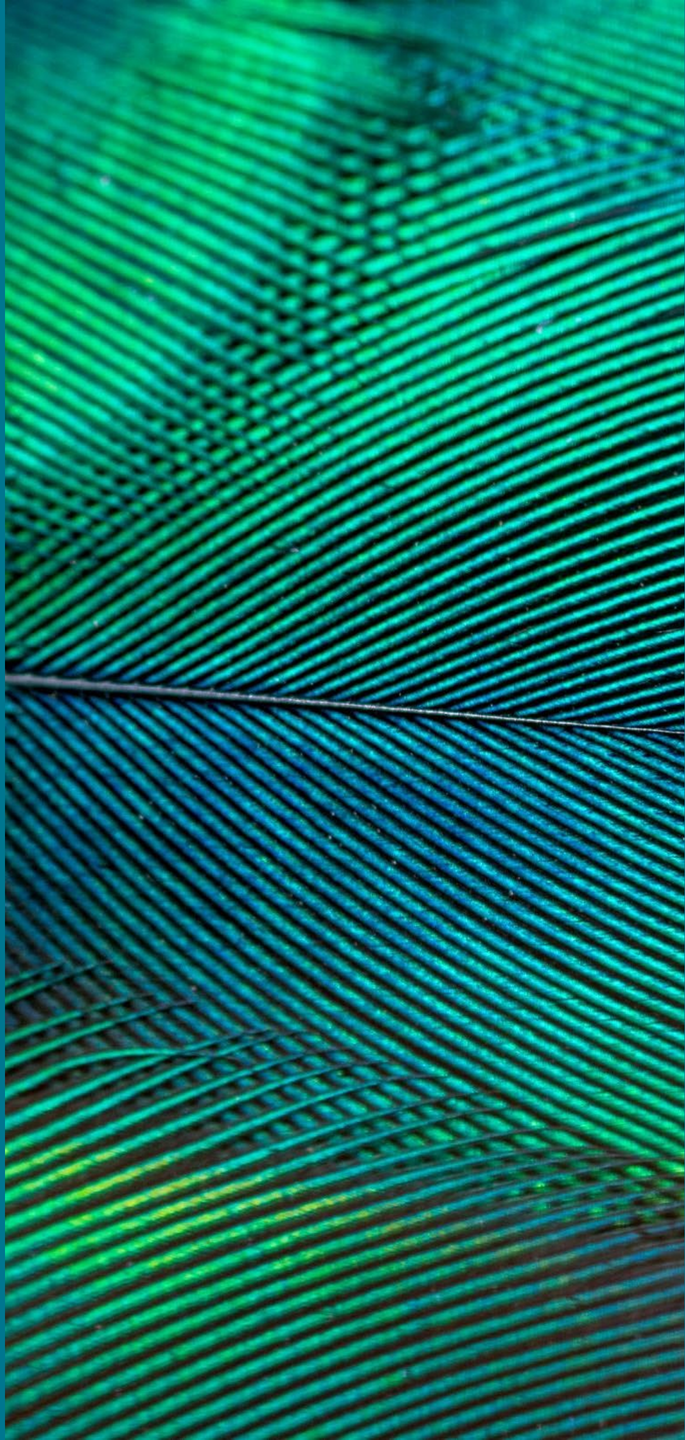
- **Pure Protection Insurance**: Exploring consumers' engagement with and understanding of the pure protection insurance products they are buying, the competitive constraints on insurers and intermediaries, and firms' incentives, behaviour and practices. FCA commenced this market study in H1 2025.
- **Premium Finance**: Reviewing whether people who borrow to pay for motor and home insurance are receiving fair, competitive deals. FCA plans to publish an interim report in H1 2025.

Unit-linked pensions and long-term savings

- Looking at transparency of charges across the value chain and how firms assess overall product value.
- FCA expects to complete this work in Summer 2025 and publish findings.



Consumer finance



Digital journeys assessment

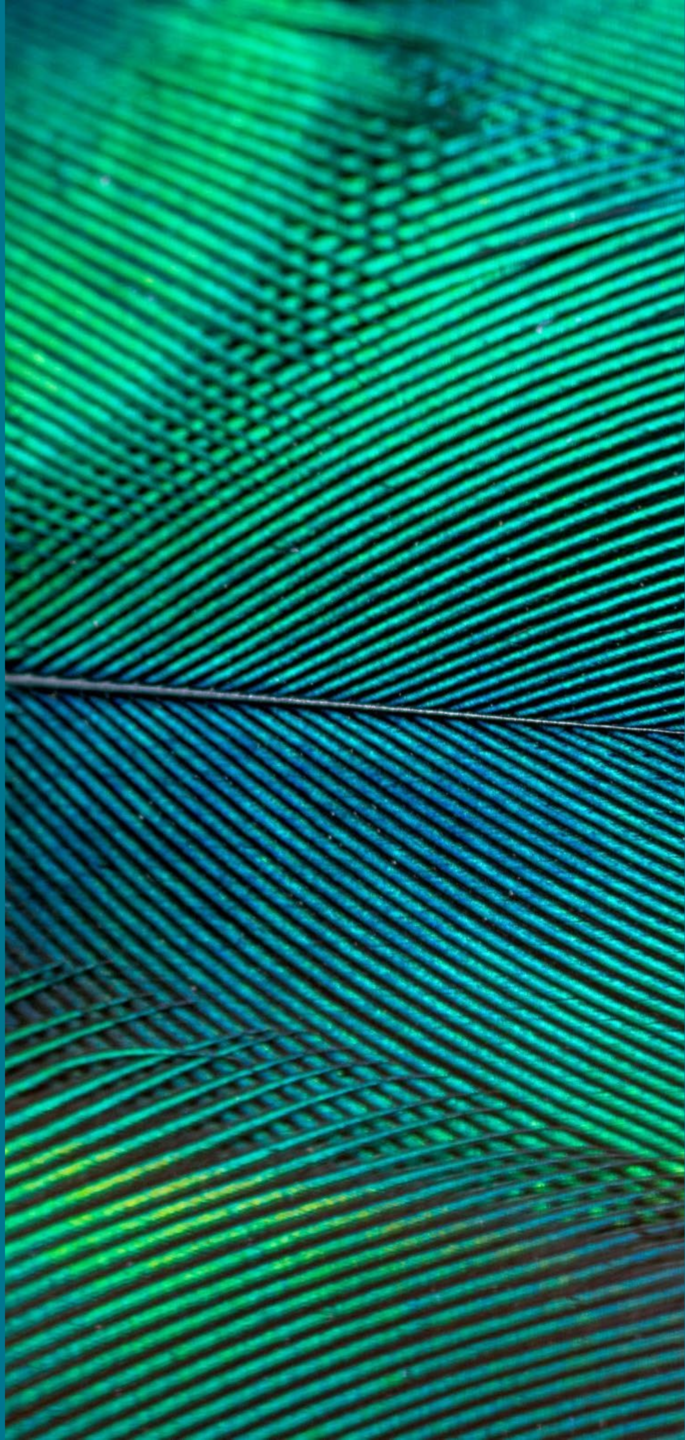
- Considering whether firms' digital tools sufficiently help consumers to understand credit agreements. FCA aims to publish findings in H1 2025.

Payments and digital assets

- Clarity of foreign exchange (FX) pricing in payment services – assessing the extent to which firms' approaches help ensure consumers are able to clearly understand the price they pay for these services, in line with the Duty.
- FCA's initial focus will be on clarity of pricing in money remittance services and account to account transactions. FCA planning to undertake this work in 2025.

Consumer investments

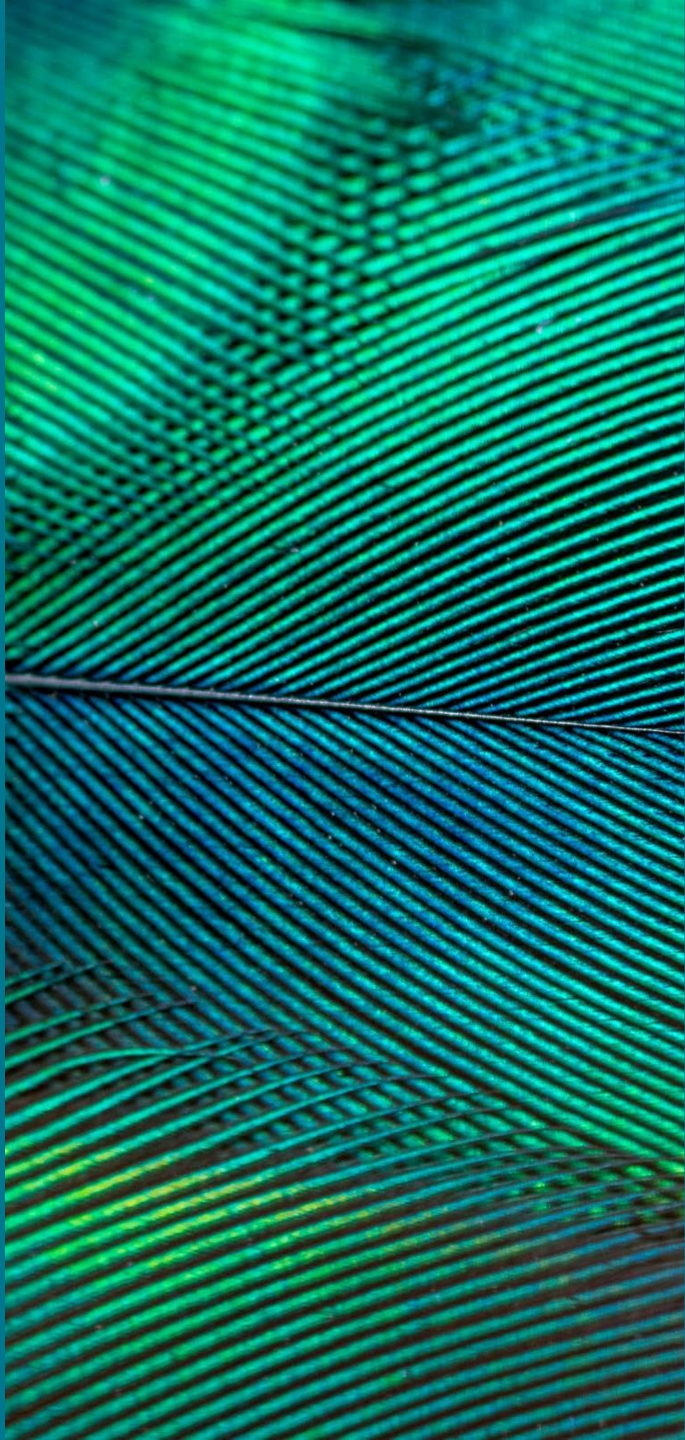
- **Advice Guidance Boundary Review, November 2024 – Feedback (on DP23/5)** – exploring how the Consumer Duty could close the advice gap. CP24/7 – consulting on targeted support in pensions (P24/7) .
- **Wealth Management and vulnerable customers** – tackling poor identification of clients with characteristics of vulnerability by wealth managers. FCA engaging with firms and the industry to raise standards, drawing on the wider vulnerability review. FCA due to provide specific firm feedback in H1 2025.
- **PRIIPs → new framework for Consumer Composite Investments (CP24/30) December 2024** – new product information regime to help consumers understand the investment products they are buying, while giving firms flexibility to innovate. Consultation closed 23 March 2025.



Insurance claims handling

General and life insurance: claims handling

- FCA working with the sector to understand insurers’ claims handling arrangements and whether systems, controls, governance and oversight structures drive good consumer outcomes.
- FCA aims to publish findings in Q2 2025.



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