

Consumer Duty Planning Success *in 4 Steps*

**Your Step-by-Step Guide to
creating a robust Consumer
Duty Implementation Plan**

Completing a board agreed implementation plan by 31st October 2022 is no easy feat. Our guide will help you progress your journey quickly using a structured, step-by-step approach.





Consumer Duty: *What's changing and why?*

Under the Consumer Duty, expectations are increasing and compliance with existing standards will not be sufficient. There is a need to demonstrate how all aspects of your business support good client outcomes, and evidence the results.

The impact of the Duty should not be underestimated. Although many advisers in the wealth management, financial planning and mortgage intermediary sectors will already be operating in accordance with the Consumer Duty's broad aims, there is a risk of complacency.

It's a fundamental change to the basis of regulation, with a new Principle for business requiring all firms to 'act to deliver good outcomes for retail customers. Customers should be placed at the heart of business strategies, with firms working to avoid harm, supporting clients to achieve their objectives while acting in good faith at all times, there is a shift from a Treating Customers Fairly (TCF) mindset based on what you do as a firm, to an outcomes-focused approach where it's the results of your actions which matter.

The speculation, arguments and calls for change are over, for now at least. The final rules for the FCA's new Consumer Duty have been published in [PS22/9](#), alongside additional guidance in [FG22/5](#). This is a flagship intervention for the FCA, applying across the entire financial services industry and designed to significantly change the approach to retail customers.

A new, unforeseen deadline

The FCA appear to have heeded calls for a reasonable implementation timeframe to allow the Duty to be delivered effectively. The 'go live' date is 31 July 2023 for open products and services, with an additional 12 months for closed products and services.

The grit in the oyster is a new deadline, not previously referenced in the consultation process. All firms need to have agreed their implementation plans by 31 October 2022. Your firm's board (or equivalent governing body) should be able to show that the plan has been subject to scrutiny and challenge. Plans need to be properly documented and made available to the FCA on request, along with relevant supporting information. The FCA is consciously putting the emphasis on senior management to demonstrate they are taking the Duty seriously.

With these challenges in mind, what should you be doing now to meet the 31st October deadline? At Tenet Compliance Services we believe that taking a structured, step-by-step approach is the key to managing regulatory change. We outline our four-stage process to implementation planning success.

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Stage 1 – Gap analysis



A gap analysis allows you to take a holistic look at your business to benchmark against the new obligations, and to:

- Determine the scale of change required, enabling you to resource and plan accordingly
- Understand your key risk areas so you can prioritise your plan to address those first
- Support your implementation planning for October's deadline

A gap analysis is simply a checklist mapping the final rules to your current practices. It will help you to determine how far you are from complying with the new rules. It'll also get you thinking about what evidence you have to support compliance, highlighting where you have gaps.

Our recommendations for performing a gap analysis:

- Split your document into the four Consumer Duty outcomes
- Look at each outcome through the lens of the cross-cutting rules
- Note what your current position is and what evidence you hold to support that
- Note what you need to do to bring your current practices up to scratch

The Four Consumer Duty Outcomes

- Products and services
- Price and value
- Consumer understanding
- Consumer support

The Cross-Cutting Rules

- Act in good faith toward retail customers
- Avoid foreseeable harm to retail customers
- Enable and support retail customers to pursue their financial objectives

1. Basic preparations

Before you start, it is essential that you have senior leadership buy in:

- Is there appropriate senior management engagement? There is no single senior manager who is responsible for a firm's compliance with the Duty but appointing a project lead to oversee the implementation process is a sensible first step.
- Has thought been given to the potential resource implications? The FCA's cost benefit analysis estimates total implementation costs for small firms could range from between £6,700 to nearly £26,000. It's clear that some funds will need to be set aside.

2. Products and services

The aim of the Consumer Duty here is that products and services meet the needs, characteristics and objectives of consumers in identified target markets and they are sold in line with the intended distribution strategy for the target market.

Advisers are both manufacturers of their advice services and distributors of their advice services and the products used to support that advice. So, you should review your arrangements for your advice services, as well as the products you distribute.

This outcome builds on many areas that you will already be following for product governance requirements under PROD. Revisiting and refreshing your approach to ensure it supports good client outcomes is recommended.

Your gap analysis should look at:

- Your advice process in light of the Duty
- Whether you have identified target markets for your advice services
- Whether you consider the needs of different groups of clients, such as those with characteristics of vulnerability
- In terms of your product distribution, whether you obtain provider information on target markets and value assessments
- Whether your advice processes are in line with the intended distribution strategies

3. Price and value

All firms will need to be able to justify the fees they charge and why they represent fair value. For advisers this will mean completing fair value assessments of your advice services.

Review your service proposition against the Consumer Duty standards. How will you demonstrate the relationship between the price paid by the client and the overall benefits of the service? We'd

recommend not focusing too much on price. Value needs to be looked at in the round, considering:

- The nature of the service and expected benefits – the what, how and why and why of what you do
- Limitations of the service – what is not provided – what is not influenced or under your control in the way you deliver services
- The expected total price paid

Advisers also need to look at the overall value of the distribution chain. Product costs need to be considered as well as the impact of advice fees and any other charges.

4. Consumer understanding

This outcome is about supporting clients to make informed decisions. Information still needs to be clear, fair and not misleading, but should go beyond this to actively support customer understanding.

Think about when you last reviewed your communication standards. You will want to identify the priority documents and communications which will need to be revisited against the new standards. You should also consider the extent to which you meet the wider Consumer Duty standards for testing of communications and checking client understanding.

5. Consumer support

The Duty seeks to prevent clients encountering unreasonable barriers and working practices that hinder them in achieving their objectives. Linking back to your target markets, you should consider clients' support needs at each stage of the advice process. You can then map how you meet those needs through the delivery of your advice services and overall proposition.

Don't forget to also look at your complaints process and post-sale support. Thinking about times of stress and clients who may need additional support is an important part of this process.

6. Monitoring and governance

Having MI that enables you to monitor client outcomes is a must. But the FCA is not prescriptive about what metrics you should be using. You should consider the breadth and scope of your current monitoring and whether it will give you confidence that you can demonstrate the outcomes your clients experience. In our experience, you will need to update your dashboards and reporting mechanisms.

You should also consider your governance arrangements and how you will complete annual board assessments of Consumer Duty compliance. Culture is key; you should think about how the core indicators of purpose, leadership, people and governance support delivery of the Duty.

How we can help

We're helping a number of firms to complete their gap analysis.

We offer 2 gap analysis routes:

- Supported gap analysis – we provide the tools, knowledge, and guidance to carry out a gap analysis, providing as much support as you need along the way
- Gap analysis assurance – we review a gap analysis you've carried out internally, providing you with the assurance that it covers all bases

Simply contact us at
joinus@tenet.co.uk
or call 0113 512 0400
(option 2)
to learn more.



Stage 2 – Harms assessment

The need to avoid foreseeable harm cuts across all aspects of the Duty. A robust approach to implementation planning will consider how effective your existing conduct risk control framework is, and the extent to which it supports good outcomes in line with the Duty.

Undertaking a structured assessment of the foreseeable harms which could occur for your clients demonstrates you have:

- Considered the different risks that could affect your clients
- Implemented controls to manage those risks
- Undertaken monitoring of control effectiveness
- Identified data to support client outcome monitoring

You can structure a foreseeable harms assessment to consider risks across the client journey, from different products and firm risks. Such an exercise can act as a health-check for your business, as well supporting Consumer Duty compliance.

Key risk areas to look at are:

- Client journey – such as client take on, discovery, risk profiling, research, strategy and planning, reviewing and updating and vulnerability
- Product risks – relating to the products you advise on
- Firm risks – foreseeable risks relating to governance, resources and financial crime amongst other things
- Other risks – such as complaints, non-standard sales processes and financial promotions



How we can help

We can help you perform a foreseeable harms assessment using our ready made template.

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Stage 3 – Implementation plan

Pulling together your preparation work into a single implementation plan document is the next step. This is something which may require input from stakeholders across the business, such as finance, IT operations and compliance.

The principle of proportionality applies. Smaller firms with less complex structures and business models will have less detailed plans than larger, more complex firms. There is also no expectation to produce a detailed project management plan.

Your plan should be genuine, evidence based and able to withstand challenge. It's a reference point that demonstrates senior management is engaged with the process and will oversee delivery throughout the implementation period.

A plan might include:

- Resources summary. Quantitative and qualitative assessments of the financial, physical, time and human resources needed
- Staff communication and training plans
- A summary timeline of key actions and milestones
- A breakdown of required actions, allocation of responsibilities and associated resources

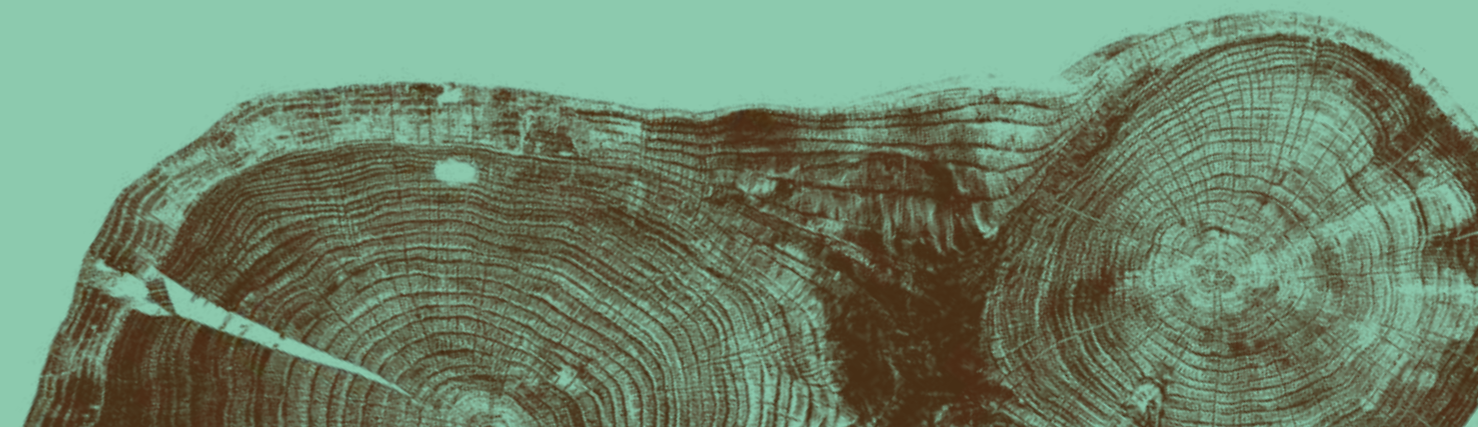
How we can help

From your gap analysis, we will build you a robust plan that covers complete implementation, with initial focus on priority areas. This plan will include how the work will be carried out, including timeline, budget, and required resources.

We offer 2 implementation plan options:

- **Supported implementation plan** – we write your plan in collaboration with you, building the evidence to support challenges from your board
- **Implementation plan assurance** – we review the implementation plan you've created, providing you with an independent view and recommendations where needed.

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Stage 4 - Project assurance

Independent oversight of your hard work is the final piece in the puzzle. The Consumer Duty is straightforward at a high-level – all good businesses in any industry put their customers first. But the devil is in the detail. The FCA has been discussing a new approach since 2018 and has published a total of 639 pages across discussion and feedback papers, consultations, guidance documents and policy statements. It would be easy to miss something.

The Consumer Duty is central to the FCA's transformation programme and three-year strategy to improve customer outcomes. It's a new supervision tool, and an acknowledgment that the previous approach was not always effective.

Senior managers will be held to account for their firms' compliance with the Duty. You will need to be able to demonstrate both how you are meeting the new rules and evidence how you record and monitor this. The move to outcomes-based regulation gives greater latitude to firms but increases the risk of misinterpretation. We can provide a second pair of eyes to guide, steer and offer reassurance you're managing the risk of appearing on the regulator's radar.

How we can help

We are regulatory specialists focused on the needs of directly authorised firms of all shapes and sizes. We're here to help you achieve Consumer Duty success and provide you with the peace of mind you deserve. Whatever level of support you need, just get in touch.

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Why choose Tenet Compliance Services

Tenet Compliance Services is an award-winning compliance and business support group, providing peace of mind to hundreds of directly authorised firms across the UK. In existence for over 30 years, we have a wealth of experience in compliance and regulation.

We provide ongoing compliance and business support packages, as well as on-demand consultancy services, removing the burden from our clients' shoulders and allowing them to focus on running a successful business and serving their clients.