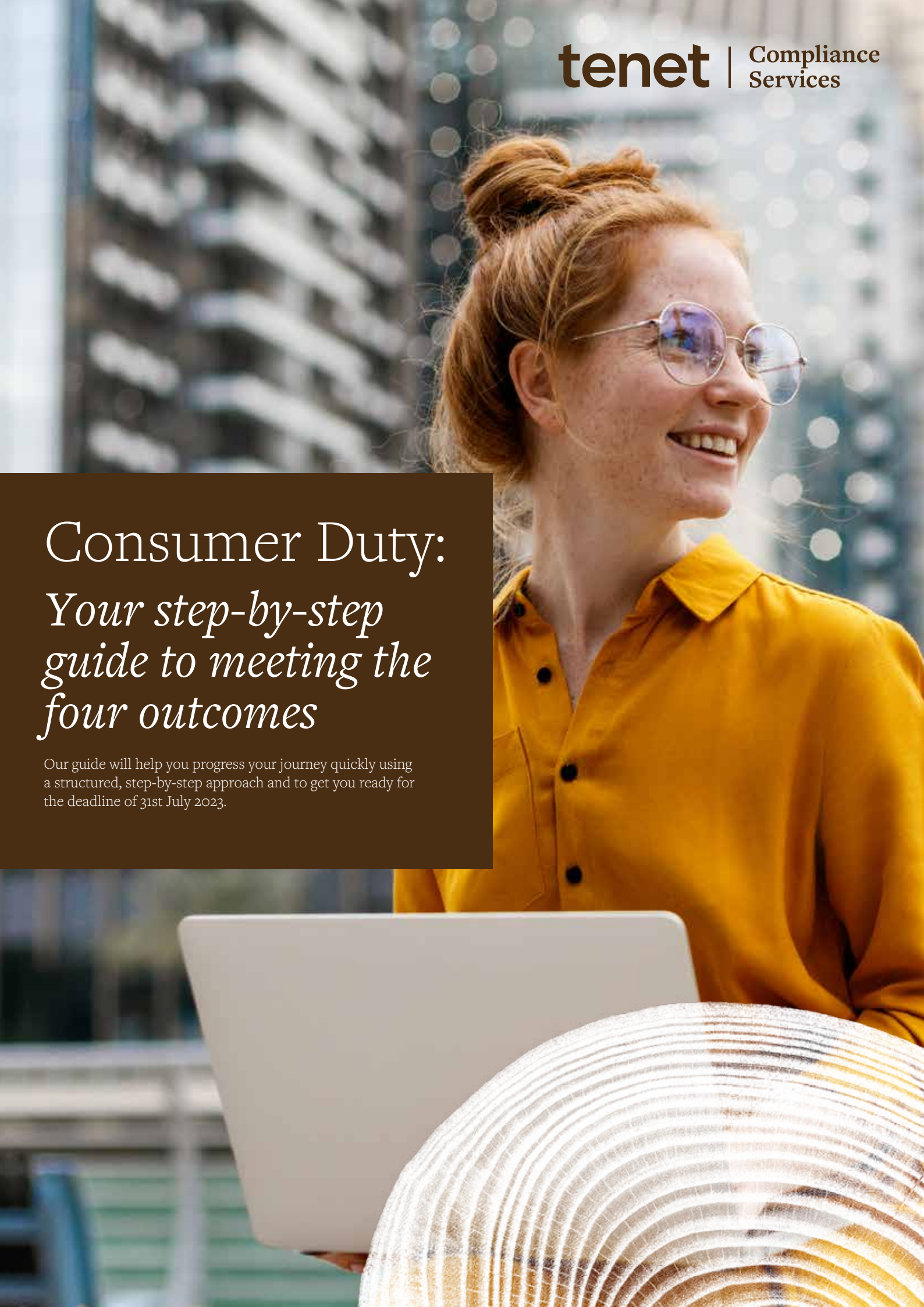
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Consumer Duty:

Your step-by-step guide to meeting the four outcomes

Our guide will help you progress your journey quickly using a structured, step-by-step approach and to get you ready for the deadline of 31st July 2023.

Overview: The four outcomes

The Consumer Duty introduces higher expectations for the standard of care you give consumers. It requires you to deliver good outcomes to customers, to avoid foreseeable harm, and enable and support your customers to pursue their financial objectives.

Tenet Compliance Services (TCS) is helping advisers and advice firms across the UK become Consumer Duty ready. Read our step-by-step guide to understand what the outcomes mean for you as an adviser and what you need to do to be ready.

The 4 Consumer Duty outcomes

The Consumer Duty is underpinned by four outcomes. You must provide:

1. The support that consumers need.
2. Communications that consumers can understand.
3. Products and services that meet consumer needs.
4. Products and services that are priced reasonably and offer fair value.

Firms must also monitor and assess client outcomes to be able to demonstrate they are meeting these outcomes.

Products & Services Outcome

This outcome aims to ensure your products and services are fit for purpose and that the design and distribution arrangements of these products and services meet the needs of identified target markets.

You should carry out regular reviews of your products and services arrangements to avoid foreseeable harm and ensure good outcomes continue to be met.

We've pulled together steps and considerations to make sure you're on track to put your products and services outcome review into action.

Step 1: Interaction with product governance (PROD)

The products and services outcome rules share the same goals as existing PROD rules. The Consumer Duty extends these goals across all financial products and services - where activities are in scope of PROD, compliance with existing rules is sufficient.

Have you:

- Identified which products and services are in scope of the respective PROD or Consumer Duty rules?
- Assessed and updated your PROD arrangements to ensure they satisfy the three cross-cutting rules?
- Built in vulnerability considerations throughout your PROD process?

Step 2: Target market identification

You need to identify groups of clients sharing common characteristics, needs and objectives.

Consider:

- Segmenting your clients to a sufficiently granular level
- Identifying groups that your services are not appropriate for

Step 3: Map solutions to target markets

This next step involves mapping each aspect of your advice service proposition to the needs of your target market groups, including the financial products and investment solutions that will be used to deliver your advice.

Have you:

- Identified which aspects of your advice service are suitable for different target markets?
- Got sufficient resources to deliver each aspect of your advice service?
- Obtained information from product providers to understand each product, including value assessments and intended distribution strategies?
- Arranged to distribute products and investments in line with these strategies and to meet the needs of target markets?

Step 4: Monitoring and review

The final step should be ensuring the effectiveness of your process is kept under regular review. Management information (MI) is required to enable you to understand the outcomes being achieved for clients.

You should consider:

- Timetabling a programme of review for your products and services arrangements
- Identifying the suite of MI that enable you to monitor products and services client outcomes
- Whether you have appropriate arrangements to share sales information with product manufacturers
- Getting effective oversight of your arrangements - including board reporting
- What evidencing and record keeping you have in place to demonstrate your actions



Price & Value Outcome

The new price and value outcome of the Consumer Duty requires you to not only ensure the prices clients pay for products and services are reasonable in relation to their overall benefits, but also that you can demonstrate this value. However, with no set format established for how value assessments should be completed, this aspect of the Consumer Duty has the potential to cause confusion.

Step 1: Assess your advice services

Begin by looking at the characteristics of your clients. From your product governance framework, you will have identified target market groups of clients. Your advice proposition will need to reflect these shared characteristics, providing clarity on the services you offer for each client group.

Be aware that different clients will use your services in different ways, potentially affecting the price and benefits they receive. You should therefore consider how your services are appropriate and provide value for each client group, including those with vulnerability characteristics.

Step 2: Know the cost of delivering your services

You need to establish how much it costs you to deliver your advice. This is important as it then gives you a reference point to assess value quickly and easily in different circumstances moving forward.

When doing this, think about fixed and variable costs, as well as your desired profit margins, to work out your total overheads.

You can then divide this by the time you spend providing these services to your clients to calculate a basic unit cost of delivery.

Step 3: Benchmark yourself against others

Compare your services and prices to your peers. There are various sources available, and you should record the research undertaken to help with your 'evidence'. For example, the FCA has published information on average adviser charges.

However, benchmarking is only part of a bigger picture, and you must be satisfied that your service provides fair value in and of itself. Charging relatively higher prices than others can be perfectly legitimate if you are providing higher quality benefits. Your value assessment should show appropriate justification of all your prices.

Step 4: Clearly show your value

Price is easily quantified, measuring value is much more subjective and requires qualitative assessment.

When thinking about value, consider the many things you do for clients and the positive outcomes your support achieves for them. You should also highlight any negative outcomes that could occur if you didn't provide your services to your clients.

Client feedback provides a valuable resource to assist with this process. However, there is no need to ask everyone; simply consider asking a sample of clients what they like and value about the way you work.



Step 5: Ensure your distribution chain provides value

All parties in your distribution chain need to provide fair value for the aspects within their control and responsibility. You must therefore obtain provider information to evidence your understanding of a product's intended benefits, costs, and value statement.

You need to ensure both your own charges and the overall package recommended provide fair value.

Step 6: Perform regular monitoring and reviews

Value needs to be assessed at the outset and then on an ongoing basis. There is no set frequency for how often reviews should be completed. A risk-based approach can be taken to reflect the nature of the service and any risks identified.

A suite of management information (MI) should be identified to enable you to understand the outcomes being achieved for clients. The sort of data you can use includes sales and profitability information, complaints analysis, surveys and client feedback, market information, and quality assurance findings.

Finally, you should ensure arrangements are in place which demonstrate appropriate senior management oversight, including board reporting.



Consumer Understanding Outcome

The understanding outcome of the Duty requires you to provide communications that enable clients to make informed and effective decisions.

Step 1: Map communications throughout your customer journeys

Begin by looking at your advice proposition customer journeys. What are the touchpoints where you communicate with your clients?

Think about the information needs of your target markets. Then list out the different communications points (verbal and non-verbal) and the documents, letters, and other material you provide.

Step 2: Review your communication standards

How information is presented can greatly affect how engaging it is for clients. Providing key information up front, as well as jargon guides, using graphics, and other design devices are all simple steps that can help.

Think holistically about how you communicate. Focus on simplifying how information is presented, ensuring communications are tailored to the needs of the intended recipients. The design of communications should accommodate the needs of as broad a range of potential recipients as possible, including those with characteristics of vulnerability.

Prioritise communications that will have the most impact, particularly where clients are asked to make decisions based on the information.

Step 3: Testing & checking understanding

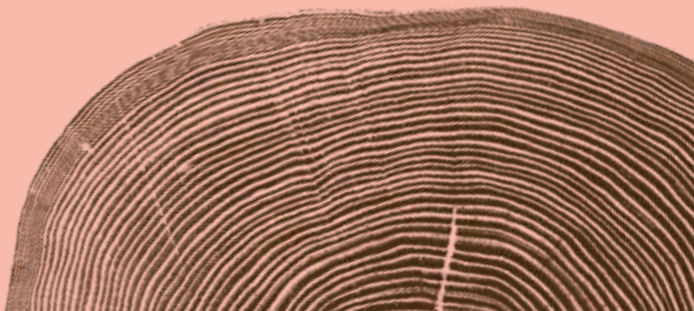
The Consumer Duty introduces a new requirement to demonstrate an approach to testing of communications. Although this does not apply to every communication, you should identify the circumstances that warrant testing and demonstrate how this is done.

When communicating with clients on a one-to-one basis, understanding should be checked at key points. As advisers you already do this, but you should challenge yourself on the extent to which you can demonstrate this consistently and across relevant contact points.

Step 4: Perform regular monitoring and reviews

You will need a programme to monitor and assess outcomes, and to act on the findings. A suite of management information (MI) should be identified to enable you to understand how your communications contribute to good outcomes.

Finally, consider what oversight arrangements are appropriate, including board reporting.





Consumer Support Outcome

The consumer support outcome means clients should be given the support they need to realise their financial objectives.

There is a close relationship between the support and understanding outcomes. As financial advisers, you are likely already well positioned to meet many of these requirements. However, the Consumer Duty brings a step change in expectations, and action will be needed to meet these new requirements.

Step 1: Review your support standards

Does the support you provide at each stage of the client journey help clients to use and engage with their products and services? You don't need to provide support through specific channels, but it should be effective however provided. You should also be able respond flexibly to different client needs.

Step 2: Positive and negative frictions

Clients should not encounter unreasonable barriers when trying to access or use their products and services, but some frictions can be useful in preventing foreseeable harm.

Can you identify any negative frictions which could cause clients undue cost, delay or otherwise frustrate them? If so, how will these be resolved? Positive frictions can stop clients acting in a way that may not be in their best interest – does your advice process have appropriate checkpoints at the right time?

Step 3: Vulnerable clients

Consider your approach to vulnerable clients and how you respond flexibly to meet different needs.

Making sure your vulnerable client policy is up-to-date and being delivered consistently will be central to meeting the support outcome. Recognising the different drivers of vulnerability, having strategies to accommodate individual client needs and checking effectiveness is key.

Step 4: Perform regular monitoring and reviews

You will need a programme to monitor and assess the outcomes being achieved through your support activities. A suite of management information (MI) should be identified to enable you to monitor the effectiveness of your support, while acting to make improvements where required.

Finally, consider what oversight arrangements are appropriate, including board reporting.

How we can help

As you can see, there is lots to do. But thankfully help is at hand if you want it. Here at TCS, we continue to help numerous Directly Authorised firms navigate the new Consumer Duty requirements, giving them reassurance they are prepared and compliant.

In addition to a suite of comprehensive regulatory guides, policies, and templates, we also offer the following support:



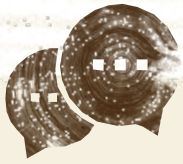
Supported Implementation – help you scope, review, update and document your approach to pricing; enabling you to meet the new requirements



Implementation Assurance – give you the peace of mind that your outcomes are effective and meet the higher Consumer Duty standards via our assurance reviews



Implementation Audits – full or focused audits of your Consumer Duty implementation progress



Get in touch!

We're award-winning regulatory experts 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 assurance and peace of mind you deserve.

Call 0113 512 0400 (option 2) or email joinus@tenet.co.uk

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