0:02

Good afternoon, everyone. And thank you very much for joining us today for our last in the Consumer Duty Series of webinars that we've been running this week, I'm .... I'm a partner in the Fin Rec team here at AG. And I will be delivering this session along with Jonathan Stewart, who's a Compliance Director in our Risk and Compliance team. And today, we're looking at issues that arise and particularly in respect of asset finance under the consumer duty.

0:31

And actually think that asset finance raise up some quacks that we don't see in other parts of the credit sector. So, yeah, really interesting issues coming up.

0:46

If I may have the next slide please.

0:50

So I don't propose to go through all of the background to the consumer duty. I'm very aware that this was covered in some length in our kickoff session earlier this week, but there are and I thought that was worthwhile just referencing the architecture of the Consumer GT and just positioning our talk today.

1:12

So and we will be looking in particular at the four outcomes, those four slices of the pyramid highlighted in yellow.

1:20

The particular impact that they have in respect of asset finance and the issues that arise, and particularly with asset finance, will also be looking at issues of scale, which unlike in other areas of consumer credit, all I think more sharply focused in respect of asset finance and there are more things to say in respect of asset finance around Scapes and we see in other areas of consumer finance. And if I may have the next slide, please.

1:51

Mmm hmm, and before moving on, to more substantive considerations, I think it's really worthwhile to flag that in its final and finalized guidance.

2:03

And then the policy statement, the FTA is really keen to emphasize the fact that all of these issues are all of the consumer duty and the way in which firms implement their compliance with consumer DT ought to be underpinned by the concept of reasonableness.

2:21

So when the FCA says reasonableness is at the heart of the consumer duty and firms approach to consumer duty, what they have said they mean is that we need to look at the standard that could be reasonably expected of a prudent firm which is carrying on the same business as the firm that we're looking at In respect to the same product taken into account the target market and the particular characteristics and from the abilities within that target market.

2:51

So we think about what would be reasonably expected of such a firm and then compare our conduct, or whatever filmer assessing against that reasonable, reasonably prudent firm. So that's the benchmark. I think what what we take from that is that reasonableness is rarely, depending on the nature of the product or service that we're talking about, is dependent upon the characteristics of the consumers in the target market that we're seeking to chase with a particular product and also dependent on the firm's role in the context of the delivery of that product upset or service, whether it's the manufacturer or distributor.

3:33

So really what we're saying is that compliance with the consumer duty underpin by reasonableness or unreasonableness is a qualitative assessment and it's not a hard line. There's no sort of quantitative and qualitative reasonableness, Very much a subjective assessment based on, and that sort of explanation of the, the reasonably what you would expect of a release of reasonably expect of a prudent firm. If I could have the next slide, please?

4:02

Hmm, hmm.

4:03

So in terms of what we're gonna cover now, then, we're gonna look at issues of scale, as I, as I mentioned, and I'll cover that.

4:10

I'll then take you through outcomes 1 and 2 and for asset finance, we're bundling outcomes 1 and 2 product and fair value together.

4:19

They really are hand in hand.

4:22

We then move on to customer understanding.

4:26

Now, this is, sometimes, with a Cinderella outcome, people are very, very focused on fair value for understandable reasons, And also, product governance, Again, very understandable, and big processes and governance processes, it needs to be put in place. It didn't exist at the moment, too many firms.

4:44

However, I think consumer understanding, customer understanding is almost the keys to the kingdom of consumer duty, in the sense that if people understand the proposition, if they understand what they're going to be getting, if they understand how it works, there's much less likely to be complaints, negative outcomes at the end.

5:03

So, really, customer understanding is key to this.

5:08

In asset finance, I think there's, there's a lot to say about customer understanding, and I'll take us through some of those issues. After that, Jonathan will pick up and talk about issues of customer support, governance and reporting. Some really important points, and to bear in mind and how you incorporate those into your existing processes.

5:31

If I may have the next slide, please.

5:35

So, as I mentioned, scope is a little more interesting in asset finance, but I think the base point to say is that the regulator is drawing the parameters of scope really quite closely, along with the boundaries of of regulated lending.

5:53

So if, oh, regulated activity, and so if your product is regulated lending or regulated higher, then you will fall within consumer duty.

6:06

The interesting quirk is where we get into some of the, when we get found, suddenly we activities for King adjusting, counseling, collecting, and an administration that's administration.

6:21

where, um, you're dealing with lending or higher, which is seeking to take advantage of, for example, the business purposes exemption.

6:31

Because carrying on those activities in respect to those exempt agreements is still within the scope of the rank of regulation for these activities they've broken. For example, broking agreements, which benefit from business exemption. Consumer duty also applies there. So, we do see this quite quite. You might have an exempt agreement, therefore not within the scope of the CCA. Nonetheless, it is within the scope of consumer duty and says, There's a slight quirk. And to bear in mind there.

7:03

And obviously, if with, you know, as I say, it follows the boundaries of regulations. So we are talking about lending to natural persons. Small partnerships or unincorporated associations where not all members are corporates, which means that if we are dealing with corporates, they are outside, not within the scope of consumer D T. So you can put it to one side. I think what's quite interesting, again, we see this with asset finance, perhaps more than in other areas of consumer finance is where you have A where your business is predominantly made up of unregulated business, or where your business is split between both regulated and unregulated business. What do you do from consumer GT perspective?

7:49

Whilst it might be tempting to say, Well you apply consumer duty where it falls.

7:53

So you apply it for your regulated business but not to your unregulated business, Actually operating distinct processes for those two areas. And poses some challenges to businesses.

8:06

And it's not something that they want to do. Other businesses don't want to run the risk of getting it wrong.

8:12

And so, one of the things that we are now starting to talk to clients about is whether they effectively up top in respect their unregulated business. And so, bring the regulated business within or treat it as if it were falling within consumer DT.

8:28

Or do you actually look to cease consumer raychem regulated and business falling within the consumer DT. Or do you look to somehow hiving off segregated or some way managed separation so that it becomes easier to run and distinct processes and respect the tea business streams?

8:50

We are talking to clients more and more about how they structure that.

8:55

What's quite interesting I think to bear in mind as well is in the FTAs recent Dear Chair Letter and it gave an example of good practice and being opting up into regulation where a firm was engaged in both regulators and unregulated SME activity. And so, there is a clear indicator from the FCA that this idea of opting out is good practice. Of course, it doesn't mean not to do so is inherently bad practice but a very interesting indicator from the FCA that.

9:28

If I may have the next slide, please?

9:35

So, moving on from scope and into outcomes 1 and 2.

9:41

Um, the products and service plan, just to give a little background to both of those two outcomes and now to give a little color to what gains come later when we talk about the particular issues that we see.

9:54

The Product and service outcome is split into two different sections, those which apply to manufacturers and days which apply to distributors.

10:05

The, um, the outcome, essentially, requires all firms to design processors which manage the design and implement processes, which manage the design and development of the financial products, the respective manufacturers, and their distribution, but also just the distribution and respect of those which are engaging in distribution activities.

10:31

Now, one of the things, I think which is perhaps important flag is that whilst the language of the definition of distributor, very much echoes the language of, you know, arranging and bringing about etcetera activities in the insurance and mortgage space and investment space. And it's not intended to be, in any way, excluding certain types of credit brokerage activity in our view and suddenly that seems to be where the FCA is getting with this. So, what am I talking about, distributor? It's in all of you, all credit brokers. And it isn't, just, for example, days which fall within the concept of a credit intermediary.

11:12

I have spoken to some clients where they see a closer alignment of the language to the credit intermediary definitions within the Arjo That is not the FTAs intention with this in our view. It's very much about capturing credit for it because in general.

11:28

So, for manufacturers, and there's requirements, operates a product approval process to define the target market and to understand the particular characteristics of vulnerability within that target market, and then to design and develop products which speak to that target market and that particular features and needs. That sort of climate to test the product, so that they operate in the way that's expected.

11:56

And to design, and distribution, channels, and distribution strategies in a way, which is appropriate for the target market, and indeed, the product as designed.

12:08

And the product approval process needs to ensure that adequate information is given to consumers about the product.

12:16

And that, that's regular testing and review of the product and distribution and that where problems arise, steps are taken to deal with those problems and.

12:31

Properly, fied redressed today's consumers which are adversely impacted by an issues which arise.

12:37

Now, for distributors, the requirements are very much around developing appropriate distribution channels.

12:43

So making sure that each distribution channel is appropriate for the product that's being sold, and the distributor is required to obtain sufficient information to understand the product, so that then the distribution channel can be designed in an appropriate fashion.

13:04

There is a need to take steps to mitigate potential harm within the distribution chain, and share data between themselves and manufacturers in respective and sales, so that people can then assess the efficacy of the distribution method for the purposes of the review process.

13:27

Now, that's an overview of product governance.

13:32

If I may have the next slide, and we can move on to fair value.

13:39

Outcome to Value again is split between manufacture obligations and distribute obligations. And the base requirement is that products provide fair value to the customers within the target market. Manufacturers are required to carry out a value assessment of their products. And that value assessment can can consist of based financial and non financial costs and benefits.

14:05

The regulator is very clear that we're talking about both financial and non financial costs and benefits.

14:12

And by non financial, we're talking about things like, in terms of costs, the monetization of data, but also in terms of benefits. It could be ease of access to servicing. It could be flexibility. It could be payment holidays built into the product, those sorts of benefits, all things which are relevant to think about in terms of fair value. I'm not going to say too much about distributors. We talk about particular issues arising in respect of distributors.

14:40

An amendment, and but I think, while we're talking about manufacturers, it's worthwhile saying that the manufacturer or distributor is required to obtain sufficient information from the manufacturer to be able to understand the outcome of the fair value assessment, which has been carried out by the manufacturer. Now, before the policy statement came out, we have had discussions around, well, what is the nature of that information? Do we need now, how detailed does it need to be? Is there a risk of passing on commercially sensitive, confidential information as part of, that?

15:16

You end up with, some competition law, disaster with brokers holding a lot of sensitive information? The FTA has clarified in its policy statement that that is not the case, that what needs to be provided is a high level overview of the outcomes of the value assessment.

15:37

There is no expectation on distributors to challenge the manufacturer's fair value assessment. So distributors don't need to pay code or seek to validate the the assessment that's been undertaken by manufacturers.

15:52

If I may have the next slide, please.

15:58

Now, any other thing that I'm gonna save our general background is that, you know, Fair Value is very much about the balance, between benefits and costs that prevented, that are presented by the product, and it really is this idea of striking this balance. What goes into the weighing scales of costs and benefits?

16:20

I do, I don't propose to say too much more on this slide. If I could have the next slide, please.

16:28

I think some of the very interesting issues which arise, you know, taking all of that into account in respect of an asset finance, firstly, products and targeting of products. When we're talking about asset finance, we're talking about credit sale, we're talking about higher purchase, and the subset PCP, we're talking about higher, we're talking about conditional sale.

16:52

And I think thinking about those products and how we target them to different target markets is really interesting. What makes one particular product proposition more suitable for a particular target market over another? And I think there can be a real focus on the monthly payment, whether that's a credit repayment or a monthly rental payments.

17:15

And, you know, thinking about what's the cheapest proposition for a customer month on month. When actually, those products are really very, very fundamentally different.

17:26

You're talking about some product sweat, the asset never becomes the customer's own, by talking about products where the asset becomes the customer's own at the outset, and others, where they could become the customer's own product dependent on by the conduct and their choices. And actually, this idea of asset ownership is super relevant to how we target products, and what we think is suitable for different customer demographics. And thinking about how that is taken into account, as part of the product governance process, and product approval process, will be really interesting.

18:04

I think there are other things about those things, those product propositions, which are really interesting.

18:10

So if you take H P P C P for example, now, in respect of those agreements, the offset could become the customer's own if they exercise the option to purchase or pay the balloon payment at the end of the contract period.

18:26

Now, most customers don't do that. They have vehicle, back all the offset back, can then take out another agreement.

18:36

I think what's really interesting is thinking about, you know, are we designing products on that assumption? Are we designing HP, PCP products on the assumption that customers will behave as they commonly half, and they won't exercise the option to purchase or pay the balloon? Or are we designing them on the beaches, an operation functionality of the product?

18:58

I don't know, I don't know. How does that affect things like fair value? Does it affect pricing in any material way?

19:05

I don't know, but these are certainly questions that people need to ask themselves. T three will work through to understand how their product and functions, whether it's being priced in a fair, in a fair value way. And whether actually, the product is fit the target market, seeking to sell it to.

19:25

Ooh, I think another interesting thing to think about is what dealers or brokers might be saying to customers about the different products on offer.

19:36

So I was talking to a colleague who told me that she had gone into a car dealership and said, I would like to understand your HP options, including your PCP. I'd like to understand your higher options. I'd like to understand any loan options you have. And when you've told me about all of those, I'll make up my mind about what finance option I want to take out.

20:01

Firstly, I would say only somebody who works in our industry would do that, That isn't a normal consumer, but they go. That's what she, she did. Now.

20:10

um, the dealer at that point said: you don't want to worry about and higher, That's very old heart, Nobody really does. That's very old-fashioned. I'll tell you about these over here and tried to steal her away from understanding all of the options available. Now I think that's really interesting, You know, been being aware and understanding what your dealers are saying to customers about the baby's products available and how does that work through into the targeting of your products? And indeed you or your assessment of a distribution. I think that that's really interesting from a pricing perspective, you know, thinking about how interest rates are determined, So how are you settling your interest rates?

20:55

Know, what what factors are you taking into account when you when you settle interest rates?

21:00

And actually what might there be in terms of an international trade off between the interest rate that you have the option to purchase fee or the balloon payment, the guaranteed future minimum value of the asset. How does all of that go in the mix? When you're settling interest rates and charges to customers?

21:21

I think that has to absolutely be understood, both from a pricing perspective and fair value. And understanding how consumers engage with the product in those those charging structures, but also from a product governance perspective and product design perspective.

21:36

And understanding they've been Shaw Unconfident if the way in which any GSM fees is determined empty in the motor sector, is that is that a fair way of settling on a G?

21:50

That the FMB and, you know, how to stop and translates into what the customer pays under the terms of the agreement. Is that itself? I think you need to think about all the charges, So things like access mileage charges, are they fair, What's the basis on which you're determining them.

22:09

And then in respect of higher, there is no interest rate, and we'll need that, but you will be profit into the calculation of the monthly rentals.

22:18

How is that done on the fair value basis? How much is that, how you reaching that? How is that?

22:23

You know what Proportion of the monthly rental is soaked with profit thinking those issues through will be an important part of the fair value assessment, equally thinking of the role of recoveries, and recovering an asset, what are you forecasting across a portfolio across a product portfolio?

22:43

What's your expectations around recovery rates, and, indeed, what does that do in terms of any fair value assessment, and is there any interaction? What does that mean in terms of your pricing and fair value overall of the product proposition?

23:02

We often see a package of products in the asset finance space, Now, that might be for additional services. So, the provision of credit to fund additional purchases, such as insurance or maintenance or whatever. And, thinking about, not just the, the asset finance, but also the finance that's being put forward for those additional services, Thinking about whether that's fair, what's your role in relation to those products?

23:32

And, we also see where services are bundled together, where they go with a package deal if you like to the customer. And that meet might be an examples where this finance for new cause as financed payoff, negative equity on an existing asset.

23:50

Finance for insurance, or something of that nature, and each the, the, the assessment of each of those products needs to stand on their own. So thing, you know, fair value would need to be gone through in each of us, in each, in relation to each aspect of those that bundled package. But also, then, cumulatively, what does that look like as a as a, as a package of products? What is the fair value of that as a whole?

24:19

I think things like subscription, we've seen, definitely seen subscription, move to the fore emulation to a number of asset types.

24:27

Yes, we've seen in respective made, but we've seen it irrespective of assets, asset types, and certainly clients are looking at that, and then quite a lot of innovative ways.

24:38

And there, the question really is, You know, that subscription survey, swots included, and are there additional services, which are relevant to the customer, or the services the customer wants, How we pricing for the range of services, which are included within the subscription, there are definite benefits, which might come with a subscription. So the ability to switch out, product smoke more flexibly and more quickly, and to upgrade.

25:05

So these are definite benefits, which will be no way in favor of the product, but thinking about the relevance of any additional associated services within the subscription and how they're priced will be really important.

25:19

If I could have the next slide, please.

25:22

And I just wanted to say, a few things on distribution and before moving on to outcome three, and customer understanding. Now.

25:35

I think the first thing to say is, when we are talking about the manufacturer, in the context of consumer, due to be are talking about the manufacturer of the financial service. So the loans, the higher proposition or whatever, and not the asset, which has been financed. That's very important.

25:52

Thing to bear in mind, particularly in the context of mates Finance, where you've got the car manufacturer involved, or you know, in other circumstances where you might have, you know, the computer manufacturer involved in in all of this. We're not talking about them. We're talking about the manufacturer of the financial service. Now, there is potential for distributors to be involved in price setting.

26:18

So certainly, if you take, if you think about the context of motor whilst difference in charges, charging structures have gone.

26:28

There is still potential for a lender to enter into a bilateral agreement with a dealership and full price to be agreed between the two parties. And then to agree a different price with another dealership under a separate arrangement. Now, what dealers are involved in that sort of price setting, there is potential for those dealers to be co manufacturers, so jointly manufacturing the product together and that is something that will need to be to be considered.

26:56

We have seen also situations where the manufacturer of an asset is also the distributor of the assets under limited permission, credit broker.

27:08

So, they manufacturer, and they directly solve every product, but broker customers to a third party finance provider for finance to form the acquisition of the asset. Now, in some circumstances, we have seen the manufacturer effectively determine price. So, in that scenario, you can end up with a limited permission broker being a co manufacturer of the credit product and that can lead to some complexities, and certainly an increase in regulatory obligation for that limited mission credit program.

27:40

Now, undoubtedly, introducer and breakthrough agreements will need to be revised and amended, to give effect to the information flow obligations, the obligations to see selling products if, if problems arise. The obligation to notify if properly, if problems arise, etcetera.

27:58

And so you do need to allow a period of time for amending and renegotiating those agreements.

28:08

And we are seeing some issues arise where brokers may not be as sorts of savvy when it comes to regulatory requirements or where they're doing not a lot of regulated business.

28:26

In those circumstances, we're seeing brokers either say, I no longer want to be authorized. I'm not doing this work anymore, or I didn't want to be authorized.

28:37

I will now want to be in AR if my lender am I seeing a move to more ..., which is interesting when you overlay the ... new appointed, representative, and regime rules and the tightening of expectations around eight sites, etcetera.

28:54

We're also seeing some firms continue or planning to continue with their authorized status but looking more to their lenders to effectively spoon feed them the material they need from a compliance perspective And there are circumstances whether you know, it might be an entirely bilateral relationship with no the lender involved where lenders are very prepared. Just hand down that material and the vessel working on that basis.

29:23

Now, certainly there is potential for commission structures involved in the distribution chain to pose issues from the point of view of assessing price and value, and that is something that absolutely needs to be woven into the assessment of the fair value of the product, both from a manufacturing perspective, but also from a distributor in understanding how commission structures my adversely affect the Fair value analysis for any lender is carried out.

29:57

Um, and as I say, that there's a point about how distributors are selling and targeting products.

30:04

My example earlier where the distributes tries to ASHA people away from an unfashionable or old hat, high rangelands and you know, thinking about what that might mean from a customer and a customer outcomes perspective.

30:20

And if I may have the next slide, please.

30:26

I just wanted to say a few points around outcome three and customer understanding.

30:31

Now the requirement is that information is given to a customer's sufficient, that they can understand the product and gage with it to make an appropriate and timely decision.

30:44

So we're talking about the provision of clear and timely information, which enables customers to make effective decisions which are informed and enabled them to pursue their financial objectives.

30:58

Now, in the context of asset finance, we've talked about some of the complexities of the product propositions and I think a really relevant question is, you know, do customers understand those product propositions?

31:11

Do they understand the difference between a higher purchase agreement, do they understand the difference between M P C P do they understand what a higher agreement is relative to HP, or PCP, etcetera? So there's a piece about understanding the products and the relative merits, and how they operate and function differently.

31:33

But there is also a point about saying, do customers understand with HP PCP that the asset doesn't become that. It becomes that if they decide to, at the end of the agreement, when, when, I wish it will pass to them upon additional payments be made.

31:51

I don't think that most consumers fully understand all of these issues, and certainly being able to choose and select the most appropriate product for them, I don't think can just be based on what's the cheapest month in month out anymore, where there are really different outcomes in terms of asset ownership. So there is a need, I think, to look at that understanding, and then the, and, and enhance the consumer's ability to understand that.

32:18

There is certainly a need to look at your existing communications that you're pumping out and thinking about whether they are sufficiently transparent and sufficiently understandable by consumers. Is this the time to try and put them through?

32:31

Some kind of third party accreditation, Whether it be the Crystal mark or the Plain Language Commission, is fair value and engaging with an agency, such as plain numbers, which might be able to assist in the development of communications which enable customers to understand numerical and financial information better. I think, yeah. There is absolutely value in going through those processes and getting documentation accredited. And certainly, we've been working with clients to go through that process more over recent times.

33:03

I think, if you decide not to do that, then at least being aware of the material and the views that these organizations and agencies put out is going to be important. And acting on yourself, that information. So, thinking about what advice documents those organizations putting out and how you can act upon that in reviewing and repositioning redrafting your own existing documentation.

33:27

But I don't think it's just a question of looking at the communications that you currently put out.

33:33

And, if the, the challenge is to enable, you know, good customer decisions, engagement of the product, enabling timely decisions, et cetera, I think there's a need to lock up the end to end customer journey and say, are we giving the right information to this customer at the right time?

33:51

And, therefore, thinking about, know, what's going to be useful at the different points in the customer journey? What does your data tell you?

33:59

You know, if your data tells you certain behaviors lead to other behaviors, you know, like Night Follows Day.

34:08

Or is there information that you could drop in, at a point in that process? Which might help avoid negative outcomes? You know, it might be, you know, just your day to tell you that if a customer pays a couple of days late, on to three times, that go into default very see, is there something that you can drop in? Whether it's a nodule, or reaching out and asking that you can do to help.

34:31

Or whether there's some kind of communication that you can push out, that can help, and consumer, make better decisions, and help avoid negative outcomes. That's something that you really should think about.

34:43

The final, the Finalized Guidance talks about layering, so, using different and communications channels to get your message across, say, you know, for example, in an a Welcome Pack, yes, you might have a copy agreement.

34:57

Yes, you might have an information document, but do you have a cover letter, which may be draws out frakes and key messages, you know, draws out when their next repayment is, or their first repayment, how much it will be. But also, maybe draws out any rights of withdrawal or cancelation the customer has, which might be relevant to them at that point in time.

35:19

And, G, Make use of, you know, images or video or audio content to help explain particular interest issues. You might might an option to purchase fee or a balloon payment be better, explained in a voice-over rather than lots of words on the page.

35:38

I think with some of the asset finance products, it's really worth asking with the U where the customers genuinely understand all of their obligations to they understand their obligations around ensuring the asset, do they understand their obligations around maintenance of the asset not removing the offset.

35:54

Whether that's from the country or from the place of installation, do they understand total loss provisions, et cetera? And thinking about how you can make those more transparent and understandable by the customer.

36:06

Finally, to customers understand that termination rights, they vary across different asset finance products and are you making both termination rights sufficiently understandable to the cost of that throughout throughout the product life? And that's a requirement for advanced testing and respect of your customer comes to enable you to evaluate whether customers can identify and understand the key information which is being communicated.

36:33

There's a need to learn from that testing and to adapt communications in the future and the FTA has been very clear that if there are any learnings that come from your testing which you want to share or you think will be useful to share with the FCA, they would be really interested in hearing what that what that is. So, you know, something maybe to bear in mind as you move forward with your with the venetian of your with your comes in your testing.

37:02

I'm not going to say anything more on the customer understanding. I'm now going to hand over to Jonathan who's going to pick up without console and customer support.

37:13

Thank you, class, and, if I could move to the next slide, please, Thank you. I'm so, custom support.

37:20

What is it, is really required by the consumer duty and effectively is to ensure support is provided throughout the whole time of the customer life cycle, whilst they have a financial relationship with yourselves. So, as it says, it's before, during, and after the sale of a product, and it's to ensure that there are no unreasonable sort of barriers put in place for for customers when they want to reach that, financial objectives. So, for example, you know if they're wanting to make it general enquiry or request to the firm. Sometimes. And I'm not basing this on a on a financial services company, my phone up and want to ask a question about a specific product that you have a subscription.

38:10

For example, I can wait hours, sometimes to to, to, to get my call answered, but if I press the, I want to cancel my contract button, boy does not get answered pretty quickly, and I'm offered lots of, you know, different things to entice me to say.

38:27

That's sort of practice that the FCC really, really don't want to be to be doing in terms of customer support, switching products, amending products, transferring products to a different provider, if appropriate. All of these things should be really quite straightforward. And quite simple accessing to the benefits of any products as well could also be It needs to be needs to be included in this one of the things that we're seeing at the moment very, very focused on from the regulator is actually forbearance. Obviously, you come through the pandemic and they're all the code, which forbearance requirements that were implemented.

39:10

And now that's kind of, you know, we've kind of written that storm and where we're moving into, hopefully, back into BYU, but with the fact that we've got this forthcoming cost of living crisis and, you know, not just individuals.

39:26

Companies are gonna face increased energy bills and increased costs for lots of different things. The FCA and really focused in that perspective on what forbearance measures that you have. You know, have you considered these from a consumer duty perspective?

39:45

And it's really, really, really key to make sure that all your customer journeys or understood that you've considered where the, I guess the, the bottlenecks, for example, or the, you know, that the difficult areas offer up for a customer. And to try and ensure that your alleviate those issues, for your, for your customers. But it can also be around support is about getting in contact. And I know Claire's talked about communications but it's, you know, do you have you considered vulnerable customers when it's coming to communicate to being able to contact you as, you know, either a manufacturer or distributor, but it's easy for people that may not have Internet access. May not have access to websites. They may still want to do things in writing. They may still want to do things over the phone or even face-to-face. If you're still offering those options. Have you considered the support that's offered through all of those all the way through to ensure that you are meeting this sort of good outcomes for customers.

40:58

I guess the final point that we need to look at is obviously just the complaints.

41:03

That's kinda key canceling contracts, that can be, that's important.

41:08

Early repayment can be quite a horrific experience sometimes for a For a For a customer. Cheats, sort of some of the other requirements within within the within the credit agreement. And it's all about making sure that you can support your customer through those without making too difficult, you know, giving them any detriment why they're not receiving the outcomes that they that they want to achieve with regards to this.

41:39

That kind of covers customer support, an outcome number, or what I want to do is just move into the governance perspective of the Consumer GG, so if I can up the next slide, again, please, Um, I'm one of the key elements that's been put through from a consumer perspective. This firm's culture.

42:02

No consumer duty needs to be considered from, not just the port level, but it needs to be considered and implemented right throughout the organization. And your strategies and your governance and leadership in remuneration policies, incentives, all of these things needs to really be considered. And for each be able to demonstrate that, you know, what you are doing as an organization is really taking the, you know, the consumer duty and really living that, breathing that in your day-to-day operations within within your organization.

42:41

I talked about people briefly earlier, you know, you sort of staff a key to this.

42:48

You must ensure that all staff incentives, performance management frameworks, remunerations structures, designed in a way that to deliver consistent, good customer outcomes for your customers. It's, you know, obviously, you know, businesses are there to make money to make profit to you know, to sell goods, to individuals or you know, to customers and Lisa, thanks.

43:16

And that there has been historically a culture of, you know, Sell, Sell, Sell.

43:23

And as we've seen throughout the years over in certain financial service areas that, you know, good customer outcomes haven't been given. And this is really something that the FCA want to kind of really drive forward.

43:37

Again, from that perspective.

43:40

Finally, on a, I guess, on a leadership, in a government governance perspective, what the FCI really wanting to drive this perspective is that, you know, your risk management frameworks, and you incorporate how you're monitoring and assessing, consume an attachment, and the consumer duty. And this is also reflected in the Internal audit processes. So it's, again, it's something, that's much broader than just sort of product offering and customer interaction because it really does fall within, I guess, the the whole framework of an organizational structure.

44:20

And finally, just whilst we're talking about reporting, obviously there's the the fast requirement at the Consumer GT is to have your implementation plan. Approved by the Board by the end of October of the Share. With the first formal board report on Consumer GT being do. Not until July 2024 However you know from a going back to the implementation plan.

44:47

That needs to be done and ready because you know that there's a chance that the FCA could come knocking on your door and asking to see a copy of what's being done.

44:56

So I could move on to the next slide please.

45:02

Thank you. So, just on a governance and accountability, I think one of the key things that we're seeing is that that does need to be a consumer GT champion appointed within the firm.

45:15

For Joe regulated firms, that's relatively easy, because the the regulators jesting that it's an ..., and so, yeah, you know, Joe regulator friends are required to have an eye on it. And if it's an enhanced SMC off, again, highly likely that you have I nets, and, therefore, not ship, you know, that's relatively simple perspective. But when you get down to core firms from an FS SMC, our perspective, but also limited permission, becomes much more difficult.

45:49

The corporate structure of these funds could be that you do have lynette's. However, you know, from what we've seen from a lot of our clients, that's not the case. Therefore, you will need to nominate somebody within the organization to take on that role of consumer cheats champion.

46:08

To ensure that, you know, everything that we've discussed over claron I've discussed over the last sort of 45 minutes is being implemented in that you're getting the right management information, etcetera.

46:21

The firm's board or equivalent governing body is responsible for ensuring the duties property embedded within within the organization. And the FCA will hold senior managers accountable for this throughout the SM CR regime.

46:37

And so again, any statements of responsibilities, reporting lines, job descriptions, will need to be out an amended, for, you know, for everybody who's going to take on these responsibilities, to really understand that, what, you know, what the requirements are and how, you know, how it affects their role and what really what they need to do. To ensure that you know that the consumer G G is being adhered to throughout.

47:10

My final point, really, around this, again, is that the board will need to receive appropriate management information. It will need to consider that, and its impacts that this, that consumer GG is having on the governance and the remuneration policies. And on an annual basis, you should be reviewing the assessment of your self consume a duty to ensure that your firm is delivering good outcomes for its customers. And again, which are consistent with the duty on this site doesn't need to be done on an annual basis. So it's not very much like most of the regulatory requirements is not sort of, let's get this implemented, and we can forget about it. It's very much something that we'll continue to to grow and evolve as we've seen with that.

48:00

lots of regulation going forward anyway. And if I could move on to the next slide, again, please.

48:09

Claire mentioned on customer understanding the, the, I guess, you know, the requirements for each test, customer understanding. I'm not gonna go through in too much detail because I know we've had quite a few questions come in you know, around the entire presentation but the FCA have very kindly delivered some information around what they think is the relevance different methodologies and the pros and cons for the different testing and being able to understand communications.

48:43

So, if I pick, for example, the top line, experimentation, controlled trials, comparisons between groups, The output that you will get is a really direct measure of the level of understanding from your customers.

49:02

But what they, actually, I've said suggesting from that perspective is that, you know, the knowledge of experimental design and understanding is really, really quite difficult to get it to the right perspective. You know, in a large groups of participants for, to ensure statistical, significant sites, It's not necessarily the easiest way to get the, you know, to get the satisfaction that your customers are: Understanding your communications. And then, as we go through, again, if we dropped down to the bottom, you've got focus groups, which is probably one of the easiest ways to, to understand customer understanding of communications. Again, complexities that you can see, is that it does require real expertise in your interview, techniques, and managing of group dynamics is generally most groups. You'll have extroverts and introverts, and how do you get no prize out, the relevant information from the different, you know, different people within a group that make up about group dynamics?

50:07

So, that's just a sort of a high level whistle, stop, talk through testing communications. Can, if I could move to the next slide, please.

50:21

Here, we can see some of the examples of data that needs to meet monitoring.

50:26

I think, again, my key out, my key takeaway from this is, is the quote at the bottom in, The blue box is, the funds will need to be able to provide evidence, that monitoring assessment of the outcomes, any resulting action that you have taken on request.

50:45

So, again, it's, it's something that needs to be done on a regular, consistent, continuous basis.

50:54

And what we've done has really, just given some examples, you know, sort of the type of data that you would need to consider. Again, it's not exhaustive, those many, many different types of data, but you can see his complaint, root cause analysis. Outcome reviews, behavioral insights, compliance reports, power abuse, testing, customer experience. The number of complaints that you getting, revering read the process and policies and procedures are effective. Customer feedback, all of those things that we've discussed, the need to be monitored from a ... GG perspective throughout.

51:32

So, again, it's, it's no small task in order to be able to demonstrate that. You know, that the, you, as an organization, are meeting the requirements of consumer duty.

51:45

And if I could just move to my final slide, please, before we get to the question plus zero points.

51:54

one of the things that maybe hasn't really been drawn out within the guidance, and it takes a little bit of a guess, reading to get this is an individual conduct rule six in Coke on say, the SAS code of conduct now reflects the new, highest and duty.

52:14

And obviously, the EFCA will hold all staff that fall under the Coke on requirements accountable to this. So from a finance perspective, you really need to do appropriate staff training to ensure that everyone caught under the Coke on rules, understands consumer duty, Everyone under the Coke on Rule, is able to demonstrate that they had the training and is able to demonstrate that they are, you know, this is part and parcel of that everyday life. one of the things that, again, is a requirement is any cocom breaches that result from a breach of the Consumer GT will need to be reported And not any reports.

52:58

you'll need to be able to demonstrate how the breach was noticed.

53:03

And what work has been undertaken to ensure the, you know, the any any breach has been remedied and especially if there is any consumer detriment, because that's one of the key things.

53:15

The FCA, obviously, very keen on is making sure that there is no no consumer attachment as a result of any breaches of the of the duty.

53:25

So, that actually brings me to the end of my session.

53:29

I know Claire is going to come back in, join me, as we have a number of questions that we want to go through, clermont, you leading the swamp.

53:40

Yeah, sure. So we have received a number of questions, I don't think we're going to be able to get through them, but the, I guess, let's pick up this one, johnathon.

53:52

We've been asked, does the Board Consumer Duty Champion take on any added personal responsibilities or liabilities?

54:00

Um, that's a good question.

54:02

There's nothing that states within that, as, you know, it's feet to the fire from that individual, but that individual will be responsible for the organization to having implemented cascaded, the consumer, GT requirements, roles, and responsibilities, processes, procedures. I, you know, I can, I can go on for awhile on it within the organization. Making sure that the relevant information is being fed up support level appropriate decisions are being made, but also changes.

54:34

And, I guess, any remedial work that may need to be done to, to ensure, you know, continuing compliance with the consumer duty that needs to be documented. Because they will be asking for that information. So the champion is really that to really pull it together and ensure that the appropriate framework for ...

54:55

lengths super and another one for you, and, Jonathan, If you bought the manufacture or no, no, sorry, the Oklahoma Department in a minute in a second.

55:04

So is there an actual requirements in inverted commas to have the implementation plan signed off by the end of October?

55:13

It's not a new role as such. Is it just the FCA's firm expectation?

55:20

That's a really good one.

55:25

The saying it needs to be ready and they're saying it needs to be signed off by the Board by the end of October of this year.

55:34

It's, I guess it depends how much risk you're you're willing to take because there is a very good chance that on the first of November you the FCA could knock on your door and asked to say a copy of your implementation plan.

55:47

Um, so, there's No I guess there's no hard and fast rule. We don't need submitted to the FCA.

55:53

They're not asking for that, but if you haven't got it, you do run the risk of, of being caught out.

55:59

So when they, you know, potentially, I imagine they will do a dip test across the industry to see who has done it and who hasn't done it. So it stop. Yeah. Personally, Make sure. It's done.

56:14

Yeah, I agree.

56:15

I was speaking with a client Reese and just this week, actually and they were saying that they thought, they might have some real challenges about nailing down the plan in full.

56:27

And we were talking about, well, do you then have a plan for the plan, as, you know, and you approve the plan for the planned for October. And so, you can just show that. that the board is engaged, and it is moving forward.

56:39

I think it would be No, whilst it might not be written into the rules.

56:44

It would be a very braise moved to just think it was not something you really have to think, you really do have to do it. Yeah, Yeah. And maybe the last one if you are the manufacturer or underwriter and if the distributor sells the products in a manner that breaches consumer duty, what are your responsibilities as the manufacturer?

57:06

Really good one.

57:07

And I think, you will be expected to be over citing your distributors in a way that would bring this to light. You'd certainly be expected to be getting MI, et cetera, and be reviewing that in a way. It's no different to the existing obligations and the 1.2 point 2 and it's just, you know, the ... with the introduction of consumer duty.

57:29

So I think, you know, you are there is a rule that requires you to oversight and take responsibility for your brokers and I think that's really where they sit in my view. And so if I can just add on to that. Sorry. What?

57:45

what the FCA have sort of implied is if you do notice that in the distribution chain there is customer detriment and that'll about, you know, a harm to, to a customer that obviously, that needs to be notified rectify.

58:01

But you also need to notify the FCA of reach and really, and demonstrate what's being been done to remedy that.

58:13

Obviously, you don't necessarily want speaking kind of blowing the whistle on some of your suppliers and things like that.

58:18

But, again, that's one of the, the key things around this, is that there is a requirement to notify.

58:27

Yep. No good shout out. And on that point, it is and gentlemen. It's full. And our session is now ended, so I hope that you have found that useful. Thank you very much for joining us this afternoon. And I know there were some questions that we didn't get to if you want to e-mail us directly. And we would be more than happy to discuss your questions with you. And indeed, if you've got any more questions, or you'd like some advice, then feel free to get in touch with Jonathan or eye contact. Details are on the slide, and our slides will be sent out after this session.

58:58

Have a great afternoon, everybody. Bye bye.

59:01

Thank you.