

CONSUMER DUTY

ACTION PLAN



The FCA’s Consumer Duty is a potential game-changer for regulated firms. The new rules are expected to be published by 31 July 2022, with firms obliged to fully implement the Consumer Duty by 30 April 2023.

This action plan has been designed to help firms record their approach, and prompt thoughts and ideas about how they can demonstrate that they put their clients at the heart of their business.

The list of suggested actions included is not exhaustive, and depending on your firm’s activities and business model, you may need to question further areas.

Any text shown in red is provided for guidance, or as an illustrative example only, and should be removed.

Note: This action plan only covers ‘The Consumer Principle’, ‘Cross Cutting rules’ and ‘The Products and Services’ outcome. threesixty’s full Consumer Duty action plan, exclusively available to threesixty clients, covers the four Consumer Duty outcomes, and includes links to online resources and comprehensive guidance. If you would like to find out more about how we could support your firm with the Consumer Duty and beyond, email talktous@threesixtyservices.co.uk

There will be a stronger focus on clients’ interest and outcome that goes beyond a narrow focus on compliance with the rules.

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| Points to consider  Can you demonstrate, with appropriate evidence, that your firm ... | Yes / No | Specific examples as to how this is being achieved  Use this column to record specific examples of how you are demonstrating the point in question and highlight any gaps that may need to be addressed. | Any action(s) to be taken | Date to be completed |
| Goes beyond compliance with the FCA’s specific rules and focuses on delivering good outcomes for your clients? | Yes / No | \* | \* | \* |
| Delivers the level of service that clients can reasonably expect? | Yes / No | \* | \* | \* |
| Takes account of the needs of its vulnerable clients to achieve outcomes that are as good as those for other clients? | Yes / No | \* | \* | \* |
| Doesn’t have excessive friction in your processes that prevents clients from making decisions in their interests? | Yes / No | * For example – a firm may not clearly signpost the process for product cancellation, making it harder for clients to switch. * The FCA has a particular interest where these ‘frictions’ occur online and in mobile apps because of their increasing prevalence and the potential effects they have on consumer decision making. | \* | \* |
| Regularly monitors, tests and (where necessary) adapts its policies, practices and processes so it can satisfy itself (and demonstrate to the FCA when required), that the outcomes for its clients are in line with the FCA’s expectations? | Yes / No | * What records do you keep? * How frequently do you monitor / test your policies and processes? * Are the results discussed at senior management level? | \* | \* |

The proposed cross cutting rules will develop and amplify the standard of conduct the FCA will expect under the Consumer Principle.

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| Avoids foreseeable harm to your clients?  The FCA expects firms:   * Not to seek to exploit client’s vulnerabilities, behavioural biases or lack of knowledge * To be fair when describing the benefits and risks of the products recommended and their services * Not to disguise any risks, omit them or bury key terms in documents knowing that clients won’t read them | \* | \* | \* | \* |
| Enables your clients to pursue their financial objectives?  The FCA expects firms to:   * Empower clients to make choices for themselves (clients will ultimately remain responsible for their decisions and actions) * Take responsibility for establishing an environment in which clients can act in their own interests | \* | \* | \* | \* |
| Acts in good faith towards clients?  ‘Act in good faith’ is a standard of conduct characterised by honestly, fair and open dealing and consistency. | \* | \* | \* | \* |
| Regularly reviews its processes and procedures to make sure they always remain fit for purpose? | \* | As best practice you should be reviewing these as and when any changes are made and at least on an annual basis. | \* | \* |

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| Makes sure that its charges for services represent fair value for clients?  The FCA believes that products or services would not represent fair value to a client if the benefits received are not reasonably relative to the price they pay. The key is to have a documented rationale for your charging structure so that your opinion of the value of your services can be demonstrated in tangible terms. For example, by applying different charging structures to segments of your client bank with different requirements and expectations. | Yes / No | * Documented rationale in place for the firm’s charging structure clarifying how services are priced (for example, ‘cost plus’ and/or ‘value based’) to demonstrate the value of the firm’s services in tangible terms * Regular tests of the charging model by checking the time and cost to deliver different types of advice / service * Use of a fee cap or fee collar * A procedure is in place for recording the time spent with each client and confirming that each client is in the right service proposition * Records are kept of the ‘add-on value’ being provided by the firm in terms of generic information, for example, lasting power of attorneys, wills, trusts, generic tax tips and basic debt counselling | \* | \* |
| Considers the requirements of all client segments and varies its charging structures as appropriate? | Yes / No | * Apply different, easy to understand, charging structures to different segments of the client bank to limit cross subsidy * A periodic review that the services listed under each service proposition are relevant, can be easily understood and add value * Use client surveys or an Advisory Board to establish the service components that clients value most | \* | \* |
| Does not have any barriers to stop clients using its services?  For example, it should be at least as easy to exit a service as it is to purchase it in the first place. | Yes / No | * Platform due diligence checks for exit penalties. * Implementing an Advisory Board with client involvement to provide an opportunity for client input on the firm’s services. * Monitoring adviser/client ratios so that each adviser is able to properly service each client. * Contingency procedures are in place in the event that an adviser leaves the firm (especially a specialist adviser) to ensure continuity of client servicing. * Suitable business continuity processes in place to address loss of access to or evacuation from your offices, fire, flooding, extended loss of electrics or communications, loss of key staff, loss or damage to IT systems. * Clients are given opportunities to feedback or voice concerns. A complaints process is in place and complaints are handled within required timeframes. | \* | \* |
| Fully understands its PROD obligations as a distributor? | Yes / No | * A documented product governance policy is in place and is regularly reviewed in Compliance, Board or Investment Committee meetings. * The firm has identified a distribution strategy for each product/service to ensure the product/service is distributed appropriately. For example, complex products are recommended over three appointments. Less complex solutions are delivered online or by remote consultation in one or two appointments. * Use of a documented Advice and Investment Process, with special emphasis on higher risk products, such as Equity Release / VCT / EIS. Use third party expertise where appropriate. * Use of a Centralised Retirement Income Proposition (CRIP) decumulation process. * Staff training records on how the firm selects funds/products/platforms. | \* | \* |
| Can extend its PROD obligations to all retail products and services that clients may use? | Yes / No | * Documented advice and admin process covering all products and services offered, such as an annual pension review process or mortgage review processes. * Providing staff training on how the scope of PROD rules differs from the scope of the Consumer Duty. | \* | \* |
| Monitors its services to make sure they remain consistent with the identified target market(s)? | Yes / No | * Identify a client each month to ensure that the characteristics are within one of the firm’s identified segments and the products and services meet their needs * Senior manager monthly random checks to assess whether the firm’s review process has been followed and the client has obtained the correct product and service outcome * Monitoring Adviser KPIs to ensure annual reviews are being delivered in line with the client agreement | \* | \* |
| Has transparent charging structures? | Yes / No | * Use client surveys or an Advisory Board to test clarity of the firm’s charging structures in its client agreement and other marketing material * Apply different, easy to understand, charging structures to different segments of the client bank to limit cross subsidy * Document any concessions on investment advice fees, which are signed off by a senior manager and reviewed in Board meetings * Publish the firm’s charging structure on its website * Provide regular training and T&C assessments to ensure all advisers can explain the firm’s charging structure correctly | \* | \* |