



CONSUMER DUTY

Guidance for retailers

WHAT IS CONSUMER DUTY

- Consumer Duty is a new standard introduced by the Financial Conduct Authority (FCA) to improve consumer protection
- Consumer Duty is applicable to all FCA authorised business including all retailers offering retail finance
- The FCA has introduced a new Principle, principle 12 to cover Consumer Duty. Principle 12 states: *“a firm must act to deliver good outcomes for retail customers”*
- Retailers are responsible for adhering to the new principle & having documented evidence available should the FCA request it

FCA 12 PRINCIPLES

1 INTEGRITY

A firm must conduct its business with integrity

2 SKILL, CARE AND DILLIGENCE

A firm must conduct its business with due skill, care and diligence

3 MANAGEMENT AND CONTROL

A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems

4. FINANCIAL PRUDENCE

A firm must maintain adequate financial resources

5 MARKET CONDUCT

A firm must observe proper standards of market conduct

6 CUSTOMERS INTERESTS

A firm must pay due regard to the interests of its customers and treat them fairly

7 COMMUNICATIONS WITH CLIENTS

A firm must pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading.

8 CONFLICTS OF INTEREST

A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client

9 CUSTOMERS RELATIONSHIPS OF TRUST

A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment

10 CLIENTS ASSETS

A firm must arrange adequate protection for clients' assets when it is responsible for them

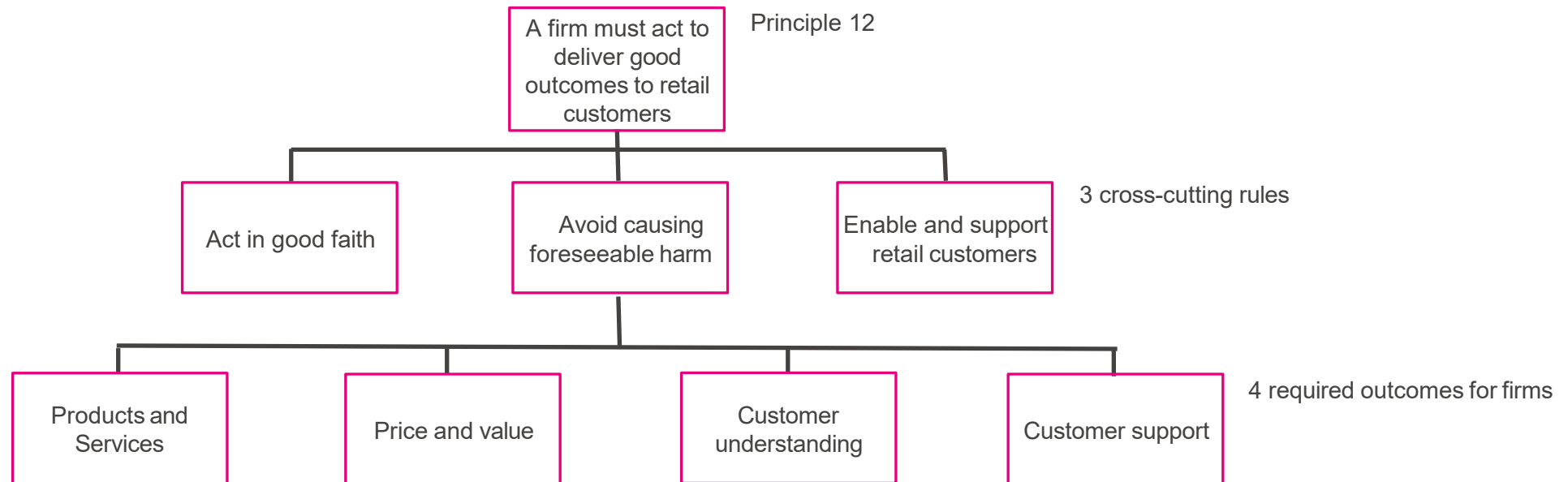
11 RELATIONS WITH REGULATORS

A firm must deal with its regulators in an open and cooperative way, and must disclose to the FCA appropriately anything relating to the firm of which that regulator would reasonably expect notice

12 CONSUMER DUTY

A firm must act to deliver good outcomes for retail customers

REQUIRED OUTCOMES



WHAT DOES IT MEAN FOR RETAILERS?

UNDERSTAND

Obtain information from the manufacturer to understand:

- The product or service
- Its target market
- Its intended distribution strategy
- The intended value of the product or service

ASSESS & DEVELOP

- Consider the impact that distribution arrangements, including remuneration, can have on value
- Develop distribution arrangements for each product or service distributed
- Be satisfied that distribution arrangements are consistent with the product or service providing fair value

MONITOR

- Regularly review the product or service and its' distribution
- Take appropriate action to mitigate the situation if they identify circumstances that may adversely affect their customers

WHAT DOES IT MEAN FOR RETAILERS?

PLAN AND EVIDENCE

CUSTOMERS

- Journey > vulnerabilities > support + **evidence**

STAFF

- Training > monitoring > competence + **evidence**

OTHER FINANCIAL PRODUCTS

- Warranties > insurances > other finance providers + **evidence**

PROCESSES, POLICIES & PROCEDURES

- Complaint handling > complaints policies > contract terms + **evidence**

WHAT COULD EVIDENCE LOOK LIKE?

POSSIBLE OUTCOMES & EVIDENCE

PRODUCTS & SERVICE

- Confirm receipt of product descriptions and Fair Value assessments
- Review Fair Value Assessments at Board level
- Include minutes from the meeting detailing your review of the Fair Value Assessments
- Investigate & confirm all customers are offered the same finance products

PRICE & VALUE

- Check and document that all financial promotions meet with [CONC](#) requirements

WHAT COULD EVIDENCE LOOK LIKE?

POSSIBLE OUTCOMES & EVIDENCE

CUSTOMER UNDERSTANDING

- Have a dedicated finance page on your website which complies with CONC requirements and the credit advertising guide
- Include representative examples
- Provide calculators for customers to use

CUSTOMER SUPPORT

- Ensure you have an up-to-date Vulnerable Customer policy
- Have a Complaints Policy which meets the requirements of the Consumer Rights Act 2015 & is accessible to customers
- Link to the Financial Ombudsman service

CHECKLIST

- Have you completed all mandatory FCA Consumer Duty actions to date?
- Have you read the [FCA Consumer Duty Guidance](#)?
- Have you reviewed the products and finance options you offer?
- Have you received and reviewed Fair Value Assessments from all regulated providers?
- How do you introduce a customer to a regulated product?
- Do all customers have access to the same products?
- What does marketing / POS look like? Is it compliant?
- What staff training is in place? Is it adequate?