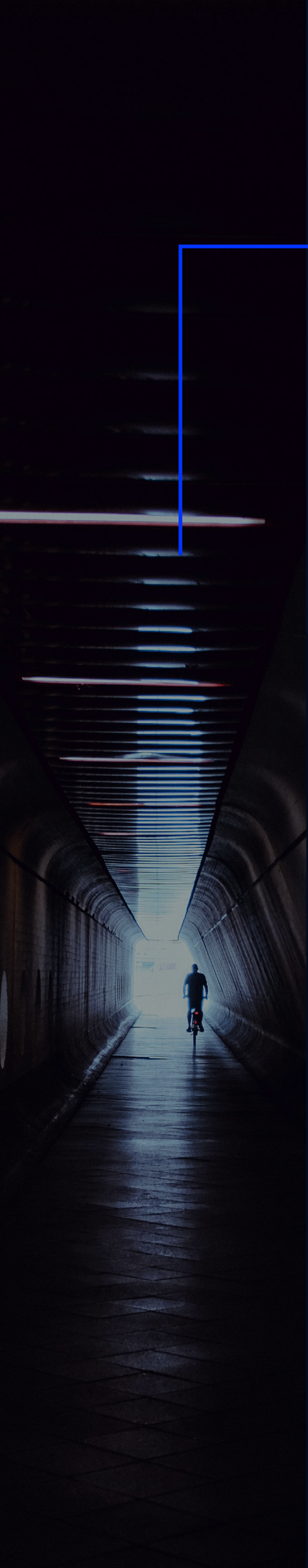


Dunstan Thomas

A RECIPE FOR CHANGE

A Dunstan Thomas White Paper on a New Consumer Duty

January 2023

Introduction

A New Consumer Duty

During July 2022, the Financial Conduct Authority (FCA) published its Policy Statement (PS22/9) entitled 'A new Consumer Duty', setting out the final rules and guidance for the Consumer Duty which laid out more onerous standards of care and service which providers, platforms and advisory firms will need to give consumers of FCA-regulated financial products and services.

From 31st July 2023's 'Implementation Deadline', the FCA will impose this new regulatory regime - moving from the principles-based approach encapsulated by 'Treating Customers Fairly', to a 'better consumer outcomes' focused approach which puts new demands on all market participants.

In just a few months' time providers, platforms and advisory firms alike must be able to evidence that they are ensuring their customers are being protected from foreseeable harm. They must also show they are shaping products to meet specific, pre-identified target market needs. They must go further to ensure unsuitable products are not being bought by consumers outside the target market for which they are designed.

They must also ensure that their customers fully understand the products they take out and help them meet their financial objectives. Finally, they must support their customers adequately. Failing to handle their requests or answer their queries in a timely way might be determined as a breach of the new Consumer Duty.

The new requirements are likely to fall heaviest on providers, as by 31st July 2024 they must also be applied retrospectively to legacy 'closed book' product portfolios, so drawing in orphan customers that may have had little or no communication from their providers in many years. Throughout this white paper, Dunstan Thomas will suggest technology solutions to address specific new Consumer Duty requirements.

"Whilst good advisers have been doing this for as long as I can remember, the Consumer Duty is a wholesale change for platforms and product providers"

Adrian Boulding, Director of Retirement Strategy, Dunstan Thomas

Chapter 1

Key New Consumer Duty Outcome Tests

A new Consumer Duty strives to improve outcomes for consumers in four key areas:

1. Consumer Understanding: The FCA will now expect products to come with timely and clear information that customers can understand so they can make informed financial decisions. They are making complex choices about debt levels, mortgages, pension savings, investments, and other products, increasingly on a smartphone.

It's more important than ever to ensure they have the key product information, such as its key features and charges, easily accessible, understandable and ideally comparable with competitor offerings. The digital user experiences which product providers offer need to offer smooth, logical customer journeys, together with disclosure download options in compliance with existing regulatory requirements.

The FCA is most likely to be impressed by firms that embrace the idea that they should know who is actually reading their communications. It's not enough to know what proportion of your customers open their Annual Benefit Statement, you need to know their names as well. Electronic delivery lends itself to this, and for repeat 'offenders', a firm can switch to alternative channels for getting messages across, perhaps delivering them at the right time for day for that individual to pick it up and read it.

2. Products and Services: Firms should be offering customers products that meet their needs, rather than pushing products that aren't suitable or needed. Payment protection insurance was a historic example of where the industry got it wrong for customers. However, the FCA still sees consumers being pushed into high risk investments, unaffordable high cost credit and unsuitable debt products that do not meet their needs. As an industry we can get carried away with the good that our products and services do many people. But we should be prepared to stop and ask whether, for a particular individual, continuing to save in a pension is actually the right thing to do? Some consumers can 'over-save', and for them exceeding their target outcome may have other detrimental effects.

3. Consumer support: When it comes to customer services, many of us have experienced long call-waiting times and reduced access to in-person services at high street bank branches. Technology can be a double-edged sword. If executed well, it makes access to useful information much easier and quicker. If applied poorly, it only adds to confusion and frustration. It can even precipitate the purchase of products which are inappropriate or don't fit the risk appetite of the customer.

Ultimately, consumers want their problems solved quickly and effectively. They want to receive support that meets their diverse needs. The FCA will expect firms to ensure customers are supported throughout their relationship with them. They need to consider the best ways to engage, including digital or non-digital communication channels.

To borrow a concept from online shopping world known by web designers as an 'abandoned basket' intervention, technology can be set up to track customers that have picked up their pension plan, looked at it but then put it down again without deciding on any action plan. Once identified, they can be sent a time-limited special offer, and you'll be amazed how often even a small incentive prompts people to go back and complete a task whether that be completing that online purchase or topping up your pension contribution following a small pay rise.

The FCA also wants to stimulate more competitive financial product markets in which it is as easy to switch, cancel or register a complaint about a product or service, as it is to buy it in the first place. The regulator will also be monitoring exit fees and transfer speeds to ensure they are reasonable if consumers do decide to move their money elsewhere.

4. Price and value: Finally, the regulator expects consumers to receive fair value. Firms must satisfy themselves that the prices they charge offers a fair value exchange for the benefits that consumers are gaining. For example, a firm lending to a customer group with high credit risks would need to satisfy themselves that the inevitably higher charges associated with this lending, still reflect fair value and illustrate discernible benefit for the target group.

Cultural Shift

Finally, there is a Consumer Duty governance requirement which demands overseeing of the progress of companies in meeting and maintaining Consumer Duty requirements. The FCA 'expects firms to have a champion at board (or equivalent governing body) level who, along with the Chair and the CEO, ensures that the Duty is being discussed regularly and raised in all relevant discussions.

'The champion should be an Independent Non-Executive Director (NED), where possible. For larger organisations with group structures, we expect this champion to be at an appropriate level to ensure that the Duty is discussed in a meaningful way. This expectation applies reasonably, so we would not necessarily expect the same level of formality in smaller firms'.

The Duty will require a significant shift in both culture and behaviour by many firms. The FCA expects the focus on acting to deliver good outcomes to be at the centre of firms' strategy and business objectives. To support this, it proposed amendments to FCA Senior Manager and Certification Regime (SM&CR) rules and requirements on the management of firms to ensure their customers are obtaining outcomes consistent with the Duty.

Technology Solution #1 - Consumer Duty Outcome Dashboard

There is a clear need for a Consumer Duty Dashboard which is designed for the use of the Consumer Duty champions and board members of products providers, platforms and advisory firms.

This new digital Dashboard could show the new customers that have been onboarded over a selected period (to be selected by the user). It could show which product or products they have purchased, what contributions have been made and what outcomes anticipated. The Dashboard should also show what suitability checks have been carried out and regulatory documentation sent out via which communication channels.

However, what about adding a 'Customer Understanding Verification Test', and a Product 'Engagement Level Test', which could confirm if various statutory documentation has been received, and more importantly has been read, via their device and channel of choice. Digital documentation can of course be sent with download receipts and digital signature capabilities now. The Consumer Duty Champion might also want to report to the Board on what percentage of customers have been identified as vulnerable and what further support has been offered to those that are vulnerable.

"Forget T.S. Eliot. When it comes to financial goals, it's the destination that matters, not the journey."

Chris Read, Director, Dunstan Thomas

Chapter 2

Getting Much Closer to Customers

It is clear from any reading of the new Duty requirements that it marks a significant change in demand placed on product manufacturers. Let's remind ourselves of the overarching rules which the FCA will be monitoring and potentially demanding reports on:

Firms must:

- ✓ Act in Good Faith (i.e., in the interests of their customers first and foremost)
- ✓ Avoid causing foreseeable harm
- ✓ Enable customers to achieve financial objectives.

The largest areas of challenge appear to fall hardest on life and pensions product providers. They must:

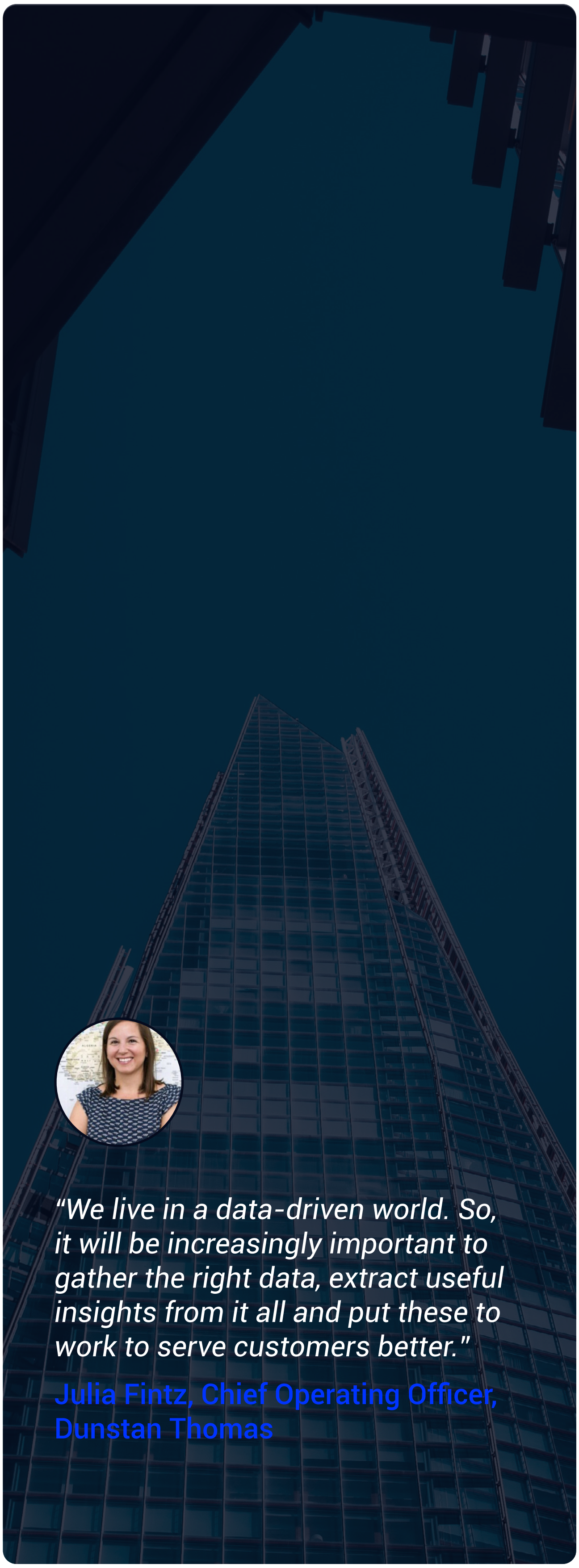
1. Ensure products and services are designed to meet the needs of a specific group of customers and are only sold to that target group. Internal discussion is needed here of what this is likely to mean in terms of suitability assessment.
2. Provide two-way communications to enable consumers to make effective, timely and properly informed decisions about their financial products and services.
3. Provide sufficient education and support to customers to enable them to realise the benefits for pensions and savings and work in their interests towards goals (and removing any hindrances to making progress in these areas).

It is clear that to be able to meet these requirements, both providers and platforms are going to need to be much closer to their customers than their status as product manufacturer previously demanded.

Before many providers created products and then offered them to the advisory world for judicious distribution. The intermediary firms then determined which of the manufacturers' products were suitable for which of their clients. With the new Consumer Duty, product manufacturers need to be designing and offering products which meet a clear pre-identified need amongst a target group which they've thoroughly researched and characterised.

This shift definitely places a heavier demand on product providers and platforms to get closer to their end customers. It also creates a clear opportunity for them to differentiate by designing products to meet a well-researched segment of the market or a specific need which their competitors may not be addressing in the same, highly focused way.

Given this change of emphasis for providers, it is perhaps no surprise that the single largest impact of the new Duty



(as reported by 44 per cent of life and pensions market decision makers from a Moneyhub-commissioned Opinium market research study completed late last summer), was the 'new emphasis on design of products and services to meet retail customers' needs'.

In terms of impact, this was markedly ahead of the next largest predicted impact of the new Consumer Duty which, for 28 per cent of life and pensions market decision maker respondents, was 'onboarding retail customers in a compliant way including assessing suitability and capability'.

What is also interesting is that many providers now see smart implementation of technology as being critical to ensuring compliance and going further to utilise a new Consumer Duty as an opportunity to serve the market more effectively. According to the same study, nearly a quarter (23 per cent) of firms anticipate spending over £5m on technology to ensure Duty compliance in the run up to the Implementation Deadline. And one third saw the new regulation as an opportunity for their business to take the lead and differentiate themselves from competitors!

It seems that for many providers, Consumer Duty compliance will be a catalyst for some seismic business changes extending to digital transformation. To date, only IFAs serving the wealthiest 10 per cent of the UK population are able to gather a holistic 360 degree financial view of the customer. Increasingly, it will be possible for providers to gather a much fuller picture of their customers via automated Fact Finds and digital onboarding journeys.

Enabling Open Finance capability is one clear route to being able to automatically check the financial status and resilience level of prospective and existing customers.

With the customer's permission, access to bank account transaction flows, mortgage accounts, ISAs, GIAs, pension accounts, SIPP-based savings etc., it becomes possible to build up a much more holistic picture of the customer's financial wherewithal, all in an automated manner. Affordability and eligibility checks can be run as part of these digital-led journeys.

Customisable nudges can be embedded into these digital customer journeys to encourage better outcomes and even reduce the need for customer service functions. Well-designed digital customer journeys are thus capable of augmenting traditional ways of identifying and monitoring affordability, vulnerability, suitability and eligibility to ensure consumers receive the right communications, via the right channel and get the right support at the right time.

Crucially, we are moving to a world where simply providing good digital tools is not enough. Firms will need to monitor who is using the tools and what scenarios they are exploring. We also need to test customer understanding of the merits of the products they are purchasing – meaning that two-way interactive communications across the channels of choice must be offered.

We are clearly moving away from a 'Build it and they will come' model, to one in which we discover what the customer wants first and build it in response to evidence of demand. A good example of this is Guiide which in its December 2022 Update reported: "Significant take up of mixed drawdown and annuity modelling on Guiide (in the first two weeks 300 people allocated £25m to partial annuitisation - 25% of their pots)". This sort of measurement will give providers the confidence to get on and build the products and offerings that their customers are clearly looking for.

Technology Solution #2 - Financial Health Dashboard

Providers may want to create a Financial Wellbeing Dashboard for Consumers. In this Dashboard will be facilities for Open Finance plug-ins to enable a holistic view of savings. One section of the Dashboard might be focused on retirement savings pots, another on rainy day funds, another linked to working capital for a business venture etc.

A further facility enables this data to be shared with a provider for the purposes of completing eligibility and Fact Find journeys before being onboarded to a new product. Once relevant information has been gathered, a guidance or full financial advice service could be offered.

Technology Solution #3 - Retirement Income Explorer Tool

It could also be possible to explore financial goals through calculation-based tools. For example, a person who has £80,000, invested in a specific portfolio yielding average growth rate over the last 5 years of 3.5%, who is 50 today and wants to retire at age 68 could expect to have an income including State Pension entitlement of £x per year after tax if he/she bought an annuity.

Or if he/she selected a hybrid approach in which TFC lumpsum is taken at 68, then 25% of the remainder used to buy an annuity and the remaining 75% kept invested in similar portfolio in income drawdown then the combined income you could expect to be able to take would be £X for 25 years or £Y for 20 years etc. Scenarios could be explored online and further guidance sought if further reassurance is needed before making firm decisions.

Knowing that customers really do understand the products and services

The new Consumer Duty places a strong emphasis on customers' understanding of the products and services they have bought so that they can make sensible well-informed choices that will lead them towards good outcomes.

We have already detailed the importance of ensuring the right consumers buy the right products as well as ensuring communications are clear - using technology to see who opens them. But how can firms know and document that customers are understanding the key points?

The Peer to Peer (P2P) industry has taken a lead in this. P2P players make use of multiple-choice tests to check consumer understanding. This form of testing lends itself particularly to investment features such as risk and liquidity where a number of conflicting statements can be presented to the consumer asking them to identify the correct one. At outset it can be used to weed out unsuitable applicants, who perhaps only saw the promise of high investment returns and hadn't appreciated that their savings might go down, or perhaps be unavailable if they need them urgently.

The same concept can be applied on an ongoing basis to existing customers. Where it reveals a misunderstanding of key features, then the customer could be prompted to consider a product switch, or to ensure that say, liquidity needs are covered elsewhere in their portfolio.

Another understanding measure is to introduce regular tracker questions into help desk and chatbot scripts, so they are presented to everyone ringing up with a query over the next week or so. The results build up an important picture of the progress of the business and enable the firm to check that recent changes to literature, products and services are having the desired effect and not un-intended consequences.

Creating and retaining a history that proves high levels of customer understanding will become an important part of demonstrating that a firm is succeeding in its plans to comply fully with the new Consumer Duty.

Chapter 3

Value for Money Assessment is the Weakest Link

Although Value for Money, or *'price and value'* in new Consumer Duty parlance, is one of the four key consumer outcomes that the regulator is looking for from the industry in its new Consumer Duty, it is also clear that this is the outcome which is hardest to measure. We simply cannot yet answer the question 'what constitutes fair value?' and therefore gathering data which proves that your products offer fair value for the price is near nigh impossible. So, proving that your product is better value than a basket of other like offerings is harder still. And while that remains the case, the opportunity for consumers to be led astray is clearly there.

Yet a strong start was made more than a year ago when the two regulators in the UK pensions space – the FCA and TPR - published a joint Discussion Paper entitled *'Driving Value for Money in Defined Contribution Pensions'*.

The context for the Value for Money test is worthy of laying out because it is the same context which both the 2018 launched Product Intervention & Product Governance Sourcebook (PROD) and now the new Consumer Duty address.

The regulator is right to be concerned about the amounts of retirement savings that most Defined Contribution (DC) policyholders are putting into their plans right now, especially as exposure to the much more generous Defined Benefit (DB) plans begin falling away rapidly for the next generation of would-be retirees.

A consumer study of Gen Xers' retirement prospects which Dunstan Thomas concluded in early 2020 found that only 27 per cent of the UK's then 40-55 year olds had access to a DB pension and many of these plans were frozen to further contributions fairly early in their careers.

The result: the average size of a Gen Xer's pension pot just pre-pandemic was about £160,000 and they were paying in just £200 per month. We also found out that many of them had stopped paying into their pensions altogether in more straightened times including during the Great Recession which ran for nearly five years from 2008 to 2013.

The Pandemic added to Government and regulators' concerns about pensions under saving. A SunLife commissioned study of the over-50 year olds found that seven per cent per cent of those approaching retirement had paused their pension contributions due to the Covid-19 pandemic, while a further four per cent had reduced their contributions over the last two years.

It looks very unlikely that, by continuing with this sort of contribution record, a typical Gen Xer will reach the PLSA's new 'moderate' Retirement Living Standard income target of £30,600 per annum, unless they have considerable savings built outside their pension to draw on.

"Efficiency is a virtuous circle: better value services will attract more consumers - driving even greater efficiency savings"

Andrew Martin, Chief Distribution Officer, Dunstan Thomas

However, the regulators' joint paper on Value for Money failed to highlight the value of strong, regular contributions; instead asserting that the three key factors in determining DC Value for Money must be: investment performance, scheme oversight, and costs and charges. Take a look at the difference between the regulator's list and Dunstan Thomas' own list

Key determinants for healthy DC pots

TPR / FCA 'lenses of Value for Money:	Dunstan Thomas' drivers of good outcomes for savers:
1. Investment Performance	**1.** Investment Performance
2. Customer service/scheme oversight	**2.** Customer service/scheme oversight
3. Costs and charges	**3.** Decumulation choices at retirement
	4. Costs and charges

Although costs and charges are, encouragingly, bottom of both of the lists - two places below investment performance. Yes, costs are important but when you are saving the large sums required to finance 20 to 30 years of retirement, costs and charges will be a relatively small portion of the whole cake.

But the glaring stand-out difference between Dunstan Thomas' list and the regulator's list is Contributions. They're top of Dunstan Thomas' DC pot health list but absent from the Regulators' list altogether. It's far better to build larger pots of high performing assets, governed by a carefully designed investment strategy, incorporating diversification and an appropriate balance of risk and reward, than to scrimp and save a few basis points on the charges.

The data-led vision of new Consumer Duty is best served in this fair value area by stimulating savers to make larger contributions when they can afford to do so, perhaps after they have received bonuses or salary increases.

However, as regulated adviser numbers have been decimated over the last 12 years associated with RDR, it now becomes critical for nudge communications to perform that role. A bank feed can reveal an increase in salary, which could automatically lead to a prompt to consider a commensurate pension contribution increase with the resulting projected increase in retirement income in 10 years' time. Technology can deliver these sorts of positive prompts and this sort of outcome would arguably be a great deal more beneficial than going with the default contribution rate, in the default investment fund, which looks cheap but maybe actually performing below par.

The importance of keeping contributions flowing is paramount to the outcomes that savers will end up with. They can repay every penny spent on them thousands of times over, and as such aligning contributions with financial wherewithal more directly ought to be given a much higher prominence in any value for money assessment.

The other issue which often emerges in calculating Value for Money is quality of customer support. Some place a high value on being able to access a contact centre agent rapidly for checking up on the progress of a transfer or making a portfolio adjustment. While others would much prefer to be able to make these sorts of changes via a secure portal and drop a short secure message via a mobile app. The FCA may well be right to consider Customer Support to be part of that Value for Money mix and right also to give it separate billing within its key four outcomes.

However, ultimately Value for Money is only achieved if providers start by understanding their customers' wants, needs, savings status, and overall financial wherewithal. The more they know about the customer, the more likely it is that they can design products and services to meet their specific needs, target them with the right type of outbound communications and support them effectively.

They need to know what value a specific group of 'full SIPP' account holders will place on exploring the notional value of this pension via a new mobile app. Research may reveal that the bulk of the value of these SIPP holders pots is held in illiquid assets (e.g., commercial property) and placing a value on that is only really relevant, or valuable, if they are considering additional finance or planning their decumulation journey.

Technology Solution #4 - Pensions Value for Money Assessment Tool

Setting aside the reality that the regulator has not yet nailed down what data feeds are required to calculate the Value for Money of provider's and their products for consumers, it should be possible to set up a 'Pensions Value for Money Tool' which automatically pulls in key values which will contribute towards optimising a customer's retirement income. These would logically include:

1. **Contributions:** total contributions put in to date and regular contribution levels today
2. **Investment growth:** average annual amount and percentage growth over life of the plan so far
3. **Total costs and charges:** again, average annual amount and percentage paid on all charges (with option to click in and understand what these charges paid for/who was paid)
4. **Decumulation preferences:** covering what percentage of the pot or pots they plan to convert into annuity and at what age, what percentage will be held in Income Drawdown, and the anticipated timing of taking Tax Free Cash.

Technology Solution #5 - Personalising Value for Money Tool

Then the tool could ask for users to place an importance value (out of perhaps 5) on some personal value weightings:

- Customer Service
- Brand strength/brand values

Customers could also be asked to rate their provider out of 5 for each of the above. An algorithm could be built which recalculates the core Value for Money from the top 4 sets of data, using these new 'personal value weightings' – in this case associated with Customer Service and Brand Strength.

If the existing provider scores highly on both of these qualities and the customer also places a high value on them, then this data forms an invaluable customer satisfaction and loyalty indicator for the provider or platform. This qualitative data can also be applied to the Value for Money calculator to boost the value score of the product to the customer, which in turn increases its 'Value for Money' positive rating.

Technology Solution #6 - Value for Money Comparison Tool

Once your firm has conducted a thorough Value for Money Assessment and concluded that you are performing very well against your peers, and in many cases your customers will receive better outcomes than those who have the misfortune to be saving with your commercial competitors; why keep this information to yourself?

Are you just going to write it up in an Annual Chair's Statement, as Trustees have to do in the TPR regulated space? Why not go further and share the positive results with others by making the tooling that you have used to undertake Value for Money comparisons available on your mobile app or website? Pre-populate it with the charges and other T's and C's from your competitors most popular product lines. Then invite their customers to try and out, even targeting them for a switch once they have seen how great your product looks.

This is where marketing and actuarial skills come together – two disciplines that were once considered poles apart. Your actuary can tell you which type of customers your product lines typically come out better with than competitor offerings. And your marketing guru can tell you how to buy online advertising that will pop up on the screens of precisely those types of potential customers. In this way, you can turn this new Consumer Duty into an opportunity to grow your customer base at the same time.

Chapter 4
Summary

Data-led innovation

New Consumer Duty regulation will give firms an opportunity to take ownership of data-driven innovation. The FCA will be pressing to understand how firms are achieving good consumer outcomes. They will look at management information and try to understand how senior leaders in these firms are challenging that the right outcomes are being delivered for customers. The regulator will try to see if firms are using all the data and information available to them to ensure that they are delivering these outcomes.

The FCA is not expecting the Duty to be a regulation that only sits in compliance. It's keen that it promotes a culture that permeates throughout and at all levels of the organisation. One of the Duty's requirements is for firms to appoint a Consumer Duty champion. For smaller firms without a board, it should be someone who has a broad responsibility across the organisation. While smaller firms may not be expected to provide the same amount of data as bigger ones, there should be proportionality with how they deal with the different stages of the process and across the organisation.

Regardless of size, the FCA will fundamentally be looking for good principles of business. Knowing and understanding your consumers, their needs and how the products and services you are offering meets these needs is key. The FCA expects firms to look into other parts of the value chain to be able to demonstrate that they are doing the right thing and achieving all four key outcomes listed earlier.

New data likely to be demanded by the FCA

Data has moved forward quite significantly over the last few years. The volume of data businesses have access to, gives them more insight into customer changes and behaviour which can all be used to inform product development and decisions.

A data strategy aligned to product development has become important. Firms should be able to demonstrate how they are using these different types of data they can access to inform their product development and why.

Essentially, a new Consumer Duty addresses practices in the financial service sector that may be legal but aren't right and do not deliver good customer outcomes. To determine what kind of data to gather, firms must understand that the goal is to demonstrate that the consumer is at the heart of what they are doing. In some ways, it doesn't matter what information is being presented as much as it matters to reflect this goal.

Firms can start with their own consumer data to demonstrate outcomes. The data should reflect customer behaviours and answer questions like:

1. Who are your customers?
2. How are you meeting their needs?
3. How are they interacting with you?
4. What kind of support are they getting and when?
5. Are there any issues of vulnerability?
6. How are vulnerable customers supported?
7. What is your data strategy?
8. Can you get different insights if you are analysing data in a different way?
9. Do you have processes in place that let staff highlight risks and build them into the processes?

"At Dunstan Thomas, we believe that technology must improve people's lives. Our innovative software helps our customers to better serve their own clients."

Ihab El-Saie, Chief Executive Officer, Dunstan Thomas

Data Types

Data that firms need to collect and potentially share with the FCA could include:

- Internal data: Data on your customers e.g., who you sell to, who your target market is, who's leaving/ joining and why? Are certain customers paying more/ less? Are they receiving the appropriate level of service or benefit relative to what they're paying?
- Customer behaviour: Data on how people are interacting with your organisation, before, during and after they become a customer. For example, what is their experience during a front-end website interaction? Are there any issues for vulnerable customers or people with accessibility issues?
- External research, bespoke research: Commission research to inform your organisation's actions and processes or use existing consumer research such as the FCA's Financial Lives research.
- Your own staff: Do you have the processes in place so if a member of staff sees an issue, they can highlight it and build it into existing processes, therefore making your firm learn from internal feedback?
- Share information with others in the distribution chain: Under a new Consumer Duty, there is a greater emphasis on sharing data throughout the distribution chain. For example, distributors will need to provide information on who they're selling products to, and on customer outcomes, to manufacturers.

Monitoring and analysing data

The big challenge for firms now is how they're going to efficiently monitor the data to prove the efficacy of their products and services. Boards must demonstrate that their new Duty implementation plan has been well scrutinised. For most companies, these are just plans without an understanding of what needs to be done or how to execute them right now.

Also, most firms and their governance bodies are clear about their own journey from an internally based set of customer scorecards. However, there's a need for a metric that is more externally justifiable.

How do they know that the internal benchmark for their processes is any good if there is no external benchmarking on it? For example, how can they determine the appropriateness of their pricing without some form of market comparison facility? Another example that could be of interest to the regulator is details of the transfer time. What is the standard transfer time in the industry and how does theirs compare to it?

Using data to increase market responsiveness and stimulate loyalty

There is a real opportunity for firms that are collecting and analysing customer data efficiently and inventively, to use all this data as a virtuous circle of feedback from customers. If companies can react quickly to build online tools which meet identified needs of a segment of their customer base, rapid technology roll outs offer an opportunity to turn customers into champions who in turn can help firms win more customers. Speed of response is then the key to not only boosting customer loyalty but also attracting a larger percentage of a defined market segment.

Are you ready?

Boards are getting clear on the Consumer Duty requirements now. However, many firms may be underestimating what needs to be done by the initial implementation deadline of 31st July 2023. They have to be realistic and understand that even when they have new scorecards and new Duty measures in place, data is going to continue to emerge overtime. There are lots of issues that apply across things like consumer support, outcome and harm and these will continue to develop over the years.

If you have a complex product, for example, where people don't use the features until several years into taking out the product, does that mean that it provides inappropriate value? Board will also need to be able to argue their case appropriately with the FCA as it develops further.

Final Take Aways

The FCA's new Consumer Duty marks the single largest regulatory change of pension and investments marketplace since TCF came through nearly 17 years ago back in 2006.

1. It should mark a cultural shift for platforms and providers. They will need to stay in touch with customers more and respond to their declared needs more effectively than they do today.
2. It also highlights that the yawning advice gap really must be addressed with more simplified, life stage-specific, non-holistic advice options.
3. There is a clear opportunity for providers and platforms alike to apply Open Finance models to create more data rich digital customer journeys. Providers that can not only collect more data on their customers, keep it up to date, maintain permissions to collect and analyse it to uncover insights which can be put to work to serve the customer better - ultimately to feed into more rapid product design innovation cycles.
4. Work to support new Consumer Duty should also lead to accelerating delivery of integrated, omni-channel customers communications and support services.

The new Consumer Duty creates an open opportunity for firms to utilise data in a different way, putting the good financial outcome of their customers at the heart of the work they do. As such it's an opportunity to develop longer term strategies and systems capable of powering business improvement – benefiting product providers, platforms, adviser firms and consumers alike.

Consumer Duty compliance enabled by Dunstan Thomas's Imago suite of tools and Integro CX platform:

	Consumer Duty Outcomes Dashboard	Financial Health Dashboard	Retirement Income Explorer Tool	Client Portal	Clear Financial Disclosures	Personalised Interactive Mixed Media Presentation	Power Virtual Agent Chatbot	Pensions Value Assessment Tool	Personalising Value for Money Tool
Consumer Understanding	✓	✓	✓	✓	✓	✓			
Products and Services	✓	✓	✓				✓		
Consumer Support	✓	✓						✓	✓
Price and Value	✓								
Powered By	Integro CX Enterprise	Integro CX Enterprise	Imago Tools	Integro CX Enterprise	Imago Illustrations	Integro CX Enterprise	Integro CX Enterprise	Imago Tools	Imago Tools