



The Consumer Duty implementation period is well underway with the 31 July 2023 deadline merely six months away.

There is now a huge amount of pressure on firms to ensure that the latest iteration of their implementation plan fully captures the necessary work to achieve compliance. It is also critical that the board and senior management are engaged and monitoring progress towards key milestones.

As we approach the 30 April 2023 milestone for product manufacturers, we have highlighted below the key areas firms must focus on over the coming months.

Value assessments

By the end of April 2023, manufacturers should have completed a review of all their existing open products and services to assess whether they meet the standards of the new Duty. As part of this, firms need to assess whether their products and services offer fair value by carrying out a value assessment.

The results of the value assessment should be shared with distributors by the end of April so that they can fulfil their obligations. Distributors must make sure they understand the benefits of the product to the target market and the impact the price and associated fees or charges may have on the value.

What management should focus on

We encourage management to review their firm's value assessment framework to ensure it aligns with the Consumer Duty rules and guidance. In a recent podcast, the FCA set out three key elements of a successful value assessment:

1. The product assessment should assess the value of the features and benefits of the product through the eyes of the target market. The costs incurred by customers, whether that's financial costs or non-financial, should be compared to assess whether it offers fair value.
2. The assessment should consider how value is perceived and received by different customer cohorts. Management will need to ensure that the assessment considers any behavioural biases or characteristics of groups within the target market that could impact the value.
3. Firms should analyse what is driving the price of the product within their firm and at the wider market level. This benchmarking exercise can help management to understand how market dynamics have impacted the price over time. For some firms it may reveal that weak consumer engagement has contributed to sustaining low-value products which the firm will need to remedy.

The FCA clarified that, where value assessments contain confidential or sensitive information, manufacturers can share a high-level summary that includes only the relevant information for distributors to be aware of.

Data-sharing in distribution chains

In addition to sharing the results of value assessments, firms will also need to consider which data from third parties will be required to have sufficient oversight of the outcomes received by customers.

What management should focus on

We encourage management to develop a consistent approach for data requests across different products and firms in the distribution chain. Management should engage with the relevant stakeholders in the distribution chain now to allow them enough time to establish data-sharing expectations, explore the data opportunities available and assess system limitations.

It is the manufacturer's responsibility to take reasonable steps to collect management information to monitor customer outcomes. This could include data to identify where customers are struggling to navigate a customer journey, sales information and root-cause analysis from complaints.

The FCA confirmed in the final guidance that, while it does not expect distributors to share information without being asked, distributors should cooperate to provide relevant information upon request, where possible.

Training

The FCA made its expectations clear that firms should embed a focus on acting to deliver good outcomes in every business function. This focus should apply whether executing strategic change or in everyday customer interactions.

A significant step to achieving this will be to develop and deliver comprehensive Consumer Duty training across the firm to encourage individual accountability. Training content will vary to reflect the roles and responsibilities of employees.

What management should focus on

Training content must be tailored so that employees understand what the Consumer Duty means for their role. For example, senior management should understand how they are accountable for the outcomes their customers are experiencing.

Firm-wide training should clarify how the new individual conduct rule (6) will apply and the behaviour the FCA expects of all in-scope conduct staff. It is particularly useful to include case study examples in the training to bring messages to life.

Latest publications from the FCA

The FCA has continued to publish Consumer Duty-related material since confirming the final rules. In December 2022, the FCA launched a five-week consultation on handbook changes. The main proposals included changes to clarify application of the Duty to firms that only approve or communicate financial promotions and to clarify the closed product definition. You can read a summary of the key consultation proposals [here](#).

The FCA continues to update its [Information for Firms webpage](#). Recent updates have confirmed that, from February 2023, firms applying for authorisation will be required to prove that they can comply with the Duty. We summarised the significant updates [here](#).

What management should focus on

From early 2023, the FCA will publish a series of letters to portfolios and sectors setting out its expectations for implementation. These letters will reflect the findings from reviews of firm implementation plans so far and should provide crucial insight into the standards expected of firms ahead of July 2023 deadline.

Contacts

Sarah Ouarbya

Partner, Financial Services Consulting

Sarah.ouarbya@mazars.co.uk

Vivian Pereira

Partner, Advisory and Consulting

Vivian.pereira@mazars.co.uk

Jessie Jones

Associate Director, Financial Services Consulting

Jessie.jones@mazars.co.uk