

Consumer Duty Webinar – Banking and payments

Speaker	Transcript
<p>EMMA STRANACK</p>	<p>Good morning and welcome to this, the third in the series of sector-based webinars on the Consumer Duty. I'm Emma Stranack, Head of Content and Channels at the FCA and I'll be chairing the webinar today where we're focusing on banking and payments.</p> <p>We know that the Consumer Duty is a significant shift both for firms and for the FCA, and it's at a challenging time for both firms, consumers and the wider economy. And that's why we're committed to making sure that we help firms get this right. In July, we published our policy statement and finalised guidance on the Consumer Duty. And that contains the key information you need to implement. And we will commit to a series of events like today and other communications, including via our website, to support you, to understand what our expectations are and help you prepare to implement.</p> <p>So, the running order for this morning, we will kick off shortly with our speakers. Richard Wilson, who is manager of the Consumer Duty policy team, who will give you an overview of the Consumer Duty and implementation milestones. Then Ed Smith, Head of Competition Policy, will talk through on what we expect in terms of outcomes-based regulation, what that means. And then we will get into more sector specifics with Emma Jones, Head of Retail Banking, and Paul Roe, Head of Payments and E-Money. And just to let you know, this afternoon we have a webinar on retail lending. That's where mortgages will be covered.</p> <p>So, after today's presentations this morning, we will go into a Q&A session. We've had several hundred questions, a lot of them on very similar themes. But please, by all means put some questions through on the sidebar as we go along, and we'll try and come to as many live questions as possible.</p> <p>Before we begin, please, you will see on your screen now a Slido reference. I would like you to answer one question before we begin, and it will be the same question</p>

	<p>afterwards. Go to slido.com and enter the code or just use your mobile device to scan the QR code and answer that one question. Thank you very much.</p> <p>So, without further ado, I'm now going to hand over to Richard Wilson. Thank you.</p>
RICHARD WILSON	<p>Thank you, Emma. So, as Emma said, my name is Richard Wilson, and I manage the Consumer Duty Policy team. I'd like to add to Emma's welcome. Thank you for attending this webinar today. Thank you for engagement. And I hope you learn a lot about the Consumer Duty over the course of the next hour or so.</p> <p>Our aim today is to reach as many firms as possible, including those we haven't heard from yet and haven't heard from either directly or via our trade associations. I mean, all the events we've done so far.</p> <p>So, I'll briefly start with some of the basics just to catch everyone up and make sure we're all at the same point. So, I'll recap on what do we want to achieve with the Duty? How does the Duty do this? Where are we in the process of introducing the Consumer Duty? What are the key milestones and the support we'll be providing at each stage of the implementation period?</p> <p>So why is the Consumer Duty needed? The Consumer Duty is at the heart of our strategy to make financial services work well for consumers up and down the country. The current cost of living pressures underline how important it is for firms to understand the needs of their customers and support their customers to help them make effective decisions. But even before the current cost of living pressures, I think we all know that consumers were being asked to make an increasing number of complex and important decisions in a faster and increasingly complex environment. So that makes it more important that they can make those decisions effectively. And that competition is working well with firms competing vigorously and to a high standard of customer care and in consumers' interests. This changing environment also underlines the need for flexibility, so for our regulation, regulatory framework to be future proofed so that we can respond to new business models, emerging harms and risks as they come into the market, rather than having to wait and consult on new rules and guidance each time, and also so that firms can innovate based on clear high standards and certainty about what our expectations are.</p>

The Duty does all this through a focus on outcomes. So, it's a significant shift, as Emma said. Both the firms and for us, at the FCA. But it's also a real opportunity. It's an opportunity to improve trust in financial services and to deliver good outcomes for consumers, something the firms I know will be supportive of. It's also an opportunity for that more flexible and less prescriptive regulatory framework over time, which is also, I know, something that many firms will welcome.

So, how will the Consumer Duty make a difference? Well, in the past we've tended to look at problems as they've appeared one by one, sector by sector on different issues. But often what we've seen through that work is that the drivers of harm are the same across sectors. So, whether that's product sold to people they weren't designed for or whether that's firms exploiting consumers' lack of knowledge or their behavioural biases, for example.

The Duty tackles these key drivers of harm, is preventative - as Emma said, Ed will cover later - building on our work in recent years, extends certain rules that already exist in some areas and across other sectors. For instance, fair value rules. It tackles complex areas of market practice and builds on the evidence of how consumers actually behave and their behavioural biases. For instance, it tackles things like sludge, where firms add frictions to make it harder for consumers to do things that are in their interest. It requires firms to consider and respond to new evidence of emerging harms. So, it's dynamic and preventative. It builds on our guidance on the fair treatment of vulnerable customers, and it makes sure that firms focus on outcomes for the diverse needs of their consumers and focus on those diverse needs throughout the life of the product or service. But above all, it requires firms to define, monitor, evidence and stand behind the outcomes that customers are experiencing. Taking a step back, we want boards to be as focused on customer outcomes as they are on profit and loss, and for this outcomes focus to really permeate the culture of each firm. And of course, we'll back this up with assertive supervision and enforcement as needed.

So, turning now to the structure of the Consumer Duty, what does it look like? Well, as many of you will know, the Consumer Duty is a package, quite a big package of measures. At the top is the consumer principle. A firm must act to deliver good outcomes for retail consumers. Underneath are the cross-cutting rules, we set out the overall standard of conduct we expect. The cross-cutting

rules, as with the rest of Duty, they apply both upstream and downstream. So upstream, by which I mean a target market level where a firm, for instance, is designing a product or setting its pricing policy. We also apply downstream where a firm is interacting with an individual consumer, for instance, over the phone or on digital channels. These cross-cutting rules also inform the four outcome areas below.

So, these four outcomes really flesh out what our expectations are. The key areas of firms' business and for the four key outcome areas that matter to consumers. I'm going to go through each of those in turn.

So, starting with products and services, we want products and services to meet the needs of the people they are designed for and for firms to make sure that these are the people that they are selling their products and services to. And so, of course, this means adequate oversight of the distribution of these products and services. Customers are less likely to experience harm and more likely to be able to pursue their objectives if they have the right product. Less likely if they have the wrong product. Product governance rules are a key innovation we've been introducing in recent years. And if you are meeting existing product rules, then you'll be meeting this aspect of the Duty.

The second of the outcome areas is on price and value. Of course, we want all consumers to receive fair value. Our rules don't set prices. That's not their aim. What we want and what this outcome requires is for prices to be reasonable relative to the benefits that the product or service offers. Firms must consider this in the round. It's not just about cost and charges. It's about the whole value of the product. Again, if you're meeting existing fair value rules then you'll be meeting this aspect of the Duty. And Ed is going to talk a bit more about fair value in the round later on.

On the third of the four outcome rules, consumer understanding, obviously, we expect products and services to come with timely and key clear information that customers can understand and can act on. This is central because of consumers being able to take responsibility, act in their own interests and make effective decisions. So, this goes beyond existing requirements is about actually testing to make sure comms are understandable given what you know about the target market of your products and services and then monitoring to make sure that those

communications are having the impact you expect and taking action where you see that actually good outcomes are not resulting from your communications.

The fourth of the outcome areas is on consumer support. We want consumers to receive support that meets their diverse needs. We want to ensure consumers are supported throughout the relationship with the firm. So, throughout the product or service lifecycle. And we want obviously this outcome will apply to both digital and non-digital support and we want firms to think about what is the most appropriate way to support consumers. Key to this is we want to see competitive markets where it's easy to switch, cancel or complain about a product as it was to buy it in the first place. Ensuring that effective competition is especially important with the current cost of living pressures where every penny counts. So, firms need to be able to justify any barriers to leaving or any exit fees to make any exit fees reasonable.

Taking a step back for a second. All firms and business models are different. We recognize that, and the Duty reflects that in the way that we've designed it. So, what is required depends on what is reasonable in the circumstances and the factors that should be considered as part of this as set out in our guidance. And the way that the Consumer Duty work reflects that firms have different capabilities. So large and small firms have different capabilities when it comes to testing communications or product testing or monitoring data. But what we do expect is for firms to apply the capabilities they have and the capabilities they use for selling, marketing products, for instance, to ensuring consumers have good outcomes and complying with the Consumer Duty.

So, turning now to the next slide, which sets out the timetable when the Consumer Duty comes into action. So, this sets out where we are in introducing the Duty. The key milestones. And I talk a little bit about our expectations during this process as well. So, we published the final rules, finalised guidance and the policy statement in July, as Emma said earlier. And we gave firms 12 months from that point to apply the Consumer Duty to new and existing products that are open for sale and renewal and then a further 12 months. So, until July 2024, to apply the Consumer Duty to closed products that are no longer on sale. We think this reflects a fair timetable that reflects the scale of the work required, and firms will need to use all of that time to demonstrate progress. Obviously, we recognize

this is a challenging timescale in the circumstance. That's why we've set out two key milestones during the first 12 months of the implementation period.

The first milestone has just passed. It was at the end of October where we wanted boards or what are other management bodies to approve firms' implementation plans for the Consumer Duty. And as we've been saying at various events and on our website over the last month, we don't expect firms just to have scoped out all aspects of their work to implement the Consumer Duty yet. But we do expect a few things. We expect a clear plan that identifies the key risks and dependencies and shows how the firm can be compliant by July 2023. We also expect firms to be able to show how they engage with the substance of the Duty. So how have they thought about consumer outcomes for their products and services, for their customer base? For their business model? We also want to see how boards and their management bodies have proper oversight, that they've engaged, they've challenged the plans that they've approved so that they can really be confident that the firm, that their firm is going to implement the Consumer Duty on time and to the standards required.

We've set a second milestone as well for the 30th of April 2023, and that's for manufacturers to have completed all reviews necessary to meet our outcome rules for those existing open products that they need to have the Duty applied to by the 31st of July 2023. This is particularly important so that manufacturers can share information with distributors and so that distributors can comply with the Duty deadline. And we want all firms to be ready and to be meeting the implementation deadline.

As I said earlier and as Emma said, we recognize this is a challenging time and these are, this is a big shift for firms. So therefore, we'll be supporting industry through all of this. That's why we're participating in such a wide range of events such as today, but also many events directly with industry and with trade associations. We'll also be using our website and social media channels to post digital content that addresses common themes, common queries, and concerns, which we've already been doing over the last month or so. So, please do keep an eye on our website and social media channels for that.

Backing up that engagement is obviously supervisory and enforcement strategies. So, whilst this due to be a big shift for firms, it would also be a big shift for us too. The time of

change at the FCA. And the Duty is a central part of our transformation to become a more innovative, assertive, and adaptive regulator. The Duty embodies this and for instance, in the way that we were using data, and Ed will talk about this more later. Across all of our activity as a regulator, we will be focusing on outcomes, and you'll see this in our engagement and the questions we ask.

So, what does this look like across our core functions? Firstly, authorisations. They are already working to strengthen processes to reflect the new standards of the Consumer Duty. And the focus on consumer outcomes were a key part of the dialogue they have at the gateway with firms coming into authorisations.

There was also supervisory approaches that is developing and there's four key elements to this. Of course, all firms that we, that are authorised by us are part of a portfolio of similar firms, and we're developing a supervisory strategy for each of those portfolios focused on how we're going to embed the Duty in that portfolio and tackle the key harms. We'll communicate with firms in each of those portfolios to identify those key areas that we've identified in our strategy, those key areas of focus. And we'll do that through letters and other industry events. For larger firms with fixed supervisory teams we'll be reviewing implementation plans over the next few weeks and will be focusing on the Duty throughout our ongoing firm engagement over the next year, over the next few years. And then for smaller firms we'll engage on a targeted basis through our multi-firm work.

In Enforcement, our immediate priority is being able to detect triage and act on serious breaches when the Duty comes into force. And an enforcement context will increasingly look at firms' approach to monitoring outcomes and mitigating harms when considering breaches. Overall, we'll be monitoring and measuring the impacts of the Duty to see where it's having the most impact and areas where we need to take more action. And we published high level success metrics and we've developed sector specific metrics as well. There is no new data return for the moment because we'll be making use of existing data, data from firms, but we don't rule it out in the future.

So that's a summary of how, of our expectations for firms and how we're preparing ourselves for the Consumer Duty. I'll now hand over to Ed who talk a bit about outcomes-based regulation.

ED SMITH

Thank you, Richard. My name is Ed Smith. I'm Head of Competition Policy at the FCA, but also work on embedding the Consumer Duty.

And today I wanted to talk about outcomes-based regulation both at a high level, what outcomes-based regulation is, but also to drill down into some examples of how we might use data to understand better the outcomes that consumers are getting in the marketplace.

So, as Richard says, outcomes-based regulation is really a fundamental shift in how we approach regulation with a key focus on delivering good outcomes for consumers rather than sort of process. So traditionally, I think a lot of regulation has focused on internal firms' processes, be it scripts that they might use for consumers or checklists of questions that they might have asked consumers or processes internally within firms around governance. And all of that is important, but it's important as a means to an end, which is good customer outcomes at the end of the day. And the way that technology is developed, and we have a lot more data and we understand digital interactions of consumers, we can get actually real time insights into how customers use a product, the sort of outcomes they're getting, the sort of charges that they're incurring in their day-to-day use of the product. So, we can, in a sense, cut to the chase a lot more to understand the customer outcomes in the marketplace.

And this is really where data comes into the equation because by looking at data, we understand much better the sorts of outcomes that consumer's getting, where they've been getting good outcomes and where they're getting poor outcomes. And as Richard says, we expect boards and executive committees of firms really to be on top of this data in the same way that they may be looking at the data on profitability, on sales, on revenues, to look at the data that they've got on customer outcomes and be as on top of that as they are on the on the other aspects of that business.

And so, let's have a look at some examples of what this means in practice.

Richard talked us through the products and services outcomes, ensuring that the product and service meets the needs of the people that it is designed for.

So, the Duty is very clear upfront that firms need to do the basics properly. That means identifying the target market for the product, those particular customer characteristics that the product is aimed at, the sophistication of the customer, the age profile, the income profile, the degree of vulnerability that any customers might have in that target market, and that they've designed the product with that target market firmly in mind. And that means the charging structures, the benefits of the product, how they expect it to be used, all conform to that target market and those characteristics, and that the distribution of the market, marketing strategy are developed with that target market in mind and ensure that the customer, that the product is sold exclusively to that target market. So that's the upfront Duty.

But there is also an ongoing Duty in relation to understanding how the product is used in the real world, and that's where data comes into it. Firms need to monitor the outcomes of their customers in the target market, and particularly the outcomes of different customer groups within that target market and what might be driving different outcomes for different customers. And here is where effective use of data will be crucial. And sometimes we recognize we'll have a lot of data. Small, smaller firms may not have the extent of data that larger firms may have on their customers, and that's fine. But we do ask that they make use of the data that they do have in the same way that they would use that data to understand their marketing strategies, to understand their sales, their revenues. They should use what data they have to really understand whether customers are getting good outcomes in the market.

So, let's have a look at a, as an example, here we have an example of a hypothetical e-money firm who is marketing a hypothetical e-money account to customers. And one of the features of this account that it charges an inactivity fee. So, if the account hasn't been used for two years, the customer will incur an inactivity fee.

So, here in the pie chart, we have the breakdown of customers usage. We see that 60% of customers have used the account in the past year. 35% of customers have been active for between one and two years, so haven't used their account for between one and two years. And we see also that 5% of customers have been inactive for more than two years and are thus incurring in an inactivity charge on the account.

So, the first question that the firm needs to ask itself is, does the product meet the needs of this customer? Is the customer incurring this fee for any reasons of friction in the customer journey? Is it trying to switch or close the product but not being successful in doing so? Does it really understand the product? Does it understand the inactivity charge that it's incurring? Or is it simply that the customer is inert, that it's not making decisions on the account, may have forgotten that it's got the account. In which case, is the firm really deriving a lot of revenue from behavioural biases or inertia in the marketplace from these customers? But it also needs to understand this 35% of customers that are coming up to incurring potentially an inactivity charge and what sort of prompts or communications it may need to issue to those customers to ensure that they understand that the fee may be charged after two years, but they also understand the product and that they have the product and why they aren't using that product as well. So, really understanding how the product is being used in the marketplace and why customers may not be using the product in the way intended.

So, that's the product and services outcome example, let's come on to price and value. So as Richard says, this is about ensuring that there's a reasonable relationship between the price paid by the customer and the benefits that a customer receives for a product.

Again, there's upfront work that the firm needs to do in structuring its fees and charges for the product to understand that they're reasonable for the benefits and most firms will obviously do that in the first place to understand that their product is priced reasonably for the benefits that the customers would receive. They would also check that the charges are not unjustifiably high, but once the product is marketed, they also need to, on an ongoing basis, understand what is actually driving the revenue, what features of the product are driving the revenue, whether or not it relies on behavioural biases like inertia that we talked about previously and whether particularly different groups of customers are being charged different prices and in particular may be that vulnerable customers may be charged different prices or higher prices as a result of the way that they use the product.

So, here's another example, this one from our high-cost credit review in 2018. We looked at overdraft fees on bank accounts and we looked in particular at the relationship

between deprivation or the degree of deprivation and the proportion of customers that incur unarranged overdraft fees or refused payment fees. And this is the graph essentially.

So, along the bottom we see increasing degree of deprivation of customers from 1 to 10. And on the vertical axis, we see the percentage of customers in that grouping that pays unarranged overdraft fees or refused payment fees. And we see almost a perfect correlation between the degree of deprivation of the customer and the likelihood that they will pay unarranged overdraft fees or refused payment fees. And that is one example really of different types of customers getting different outcomes and paying different charges in the marketplace. And we corrected this through rules, simplifying overdraft fee structures in this case. But the Duty imposes an overarching obligation on firms to make sure that outcomes like this don't really happen in the marketplace.

Let me move on finally to consumer understanding, which is the third of the outcome areas. And this is about firms thinking about how consumers understand their product and how they are monitoring and crucially, monitoring that consumers understand that product in the way that they behave.

So, in this example, we've got the percentage of customers that take an add-on product as part of their customer online journey. And we see over time that there's a sudden jump in the proportion of customers that take this add on product as part of their customer online sales journey. Now the firm might think, well, happy days, they've got more customers into an add-on product. But the nature of this increase, the very sudden increase, suggests that there might be something else at play. So, what do we understand by this sudden jump? Does it coincide with a change in the customer online journey? Is it actually evidence, as Richard talked about earlier, of an online sludge practice, i.e., some friction in the online journey which biases a customer in favour of taking this add-on product that they don't really know or understand? And so, is this friction part of a bias or a sludge practice in the online journey?

So that's me talked about data. I hope that's useful. We will be using data in our own exploration of the Duty and in understanding how firms are implementing that.

	<p>But with that brief canter through, I'll pass over to Emma Jones, Head of Retail Banking, who can talk about the sector specifics.</p>
EMMA JONES	<p>Thanks Ed and good morning, everyone. I'm Head of Department in the FCA responsible for the area that supervises retail banks, building societies and other mortgage lenders.</p> <p>And I'm going to begin by acknowledging, as others have, that this Duty does mean a significant amount of work for banks and building societies during the implementation period. And that that implementation period comes at a difficult time economically. But there are two reasons why the Duty is timely for this sector, because the services that each of you provide is essential for everyone's everyday lives.</p> <p>So firstly, if we think about the cost-of-living challenges that face everyone today, I think that underlines the importance of the outcomes we expect under the Duty. And it gives the opportunity to the sector to rebuild public trust that began to be restored during the pandemic. So though it's not yet in force, we look to firms now to step up in light of their considerations of the Duty to support customers in these straitened times and ensure that they get good outcomes.</p> <p>Secondly, the sector is going through a massive transformation at the moment. We're seeing changes from the traditional channels. We're seeing changes in technology and services and the use of data and in pricing. And the Duty gives us and you a powerful lens through which you can assess those changes and it will help ensure that firms improve as you transform and as you grow, and to ensure that those transformations, those changes are resulting in good outcomes for consumers both today and for future generations.</p> <p>So, I'm going to turn to some specifics in relation to retail banking and how we're thinking about the importance of the implementation of the Duty. And as Emma mentioned, my colleagues will talk this afternoon about consumer lending and mortgages.</p> <p>If I start by thinking about general banking services, one of the three cross-cutting rules that Richard talked about is that firms must enable and support customers to pursue their financial objectives. So more specifically, the consumer support outcome rules set overarching requirements for firms to design and deliver support that meets the needs of</p>

customers, including those that show signs of vulnerability. To ensure customers can use their products as they reasonably anticipate. And to ensure customers don't face unreasonable barriers during the lifecycle of that product.

And there's a close relationship between support and customer understanding outcome rules. So, if we think about things like support to understand by ensuring that communications meet the consumer needs, to ensure communications equip customers to make the decisions that are effective, that they're timely and they're properly informed, and we'll be looking for firms to test, monitor and adapt communications to support again that customer understanding and to ensure good outcomes.

So, in the present economic challenges that everyone is facing, firms need to be alert that we can see more customers seeking support. People will be looking for reassurance, practical information, advice about their financial position. And many of those customers will be vulnerable, or at least on the edge of it. So, thinking about that, firms should be looking to increase capacity now to support those worried customers and maybe to proactively reach out to them. And we've already seen many really good examples of firms doing that proactively where they've seen and identified customers that may be struggling to offer them support and advice.

But as I mentioned earlier, we're seeing a lot of transformation in the markets. And as older firms transform or newer firms diversify, the support and the communications that need to be offered to customers could be undermined. So, we might see inadequate support for face-to-face channels like telephony or the option to speak to a person. There's a risk that inadequate resourcing of channels in terms of capacity or skills and capability. We might see poorly designed or prematurely launched digital channels which suffer capacity reliability issues. Or they might be complex, slow to navigate. Inadequate resourcing of online chat functions could be a risk, or we might see excessive reliance on chat bots, especially if those are not adequate in practice for many customers to answer customers questions or to convert them to speak to an actual operator at the appropriate time.

Also, it's worth thinking about for firms that provide support mainly through one channel, for example, digital. Then factors need to be considered such as these – is that limited channel of support effective and enabling customers to act

in their interests and without unreasonable barriers. Unclear, confusing digital journeys won't meet the standard. It'll also be extra important to have an exceptions process to deal effectively with nonstandard issues. These might include security or fraud concerns, technology issues or more sensitive customer journeys, such as discussing financial difficulties or the accounts of deceased or incapacitated family members. It's likely at those times customers will need real face to face or person to person human interface. Whether that's face to face or by telephony, some of those issues that they are encountering would need to be supported effectively.

It's also worth bearing in mind that the needs of customers can change. Anyone can become vulnerable at any time. So, for example, you may have a tech savvy customer who in financial difficulty may face the loss of mobile or digital access. Firms should think about how they will support customers like those, including helping customers transition to another service, if appropriate.

As my colleagues have mentioned, the Duty talks a lot about metrics. So, under the support rules, firms must monitor the quality of the support that's offered. Looking for evidence of areas where it may be falling short and acting in a prompt manner to address those. So, firms need to think carefully about the metrics that they'll use to assess that customer support. So, examples might include queue times and branches or wait times and abandonment rates on telephony and abandonment rates on digital channels. Also framing qualitative measures. Examples might be customer success or not at doing what they wanted to do or getting the help to the answers to the questions they ask. That's challenging, but equally important, and we at the FCA will be taking a far closer interest in those metrics of support and service than we have done in the past. And we expect the firms' boards to do the same.

I touch on that transformation that I talked about. The Duty will play a key role when thinking about planning branch closures, or when reducing opening hours or services, reducing telephony features, or changing digital offerings like, you know, moving from internet banking to mobile apps. When making those decisions and thinking about those, there are things that firms should consider. In the Duty we talked about that cross-cutting theme of avoiding causing foreseeable harm. So, for example, testing will really come to the fore in making those decisions and understanding the impact of those changes. Testing will be

key to understand what mitigating steps you might want to put in place. Customer understanding will be key. Making sure that the customers understand the change. Whether that's through testing of those customer communications or if needs be, tailoring the communications to specific cohorts of customers. And after the changes have taken effect, to monitor the outcomes that are so important, and if they are not where they should be, to take mitigating steps if needed to improve.

I'll talk about another area now, which is what I've called in the slide, 'bank accounts in the future'. Consumers can only pursue their financial objectives if their products and services are fit for purpose. So, firms need to act in good faith. That's that third cross-cutting rule that my colleagues talked about. The design and distribution of products will need to meet that aim. So, firms will need to think about innovations in the future.

So, if I take, for example, a new generation of bundled bank accounts, which might involve optional features or subscriber models or tiered pricing, those products will need to meet the new product and service rules. And that might include things like carefully designing them to be suitable for the target market and to think about the financial sophistication of customers within that target market. You'll also need to ensure through testing again that customers in these target markets understand the accounts and the promotions associated with it so that customers truly understand what the product does and what it doesn't do, what they'll be paying for it, and the risks or downsides. And when thinking about distribution, thinking about how that account is distributed to avoid mis-selling outside of the target market or even to reducing the risk of selling within the target market to customers where it may not meet their full needs. And that's particularly important where we see bundled bank accounts that include features where there is non-regulated features like will writing or with non-financial features like lifestyle products.

I'll turn to a third area now, which is around overdraft borrowing. And a couple of years ago during the COVID pandemic, we introduced some guidance for overdraft borrowers in financial difficulty. That guidance remains in force today. And actually, a lot of what it says is really useful for firms as they think about how to support borrowers in financial difficulty today. But the Duty raises the bar. If we take repeat use as an example, the Duty my colleagues have mentioned requires firms to put themselves

in a position where they can evidence to the board, and to us, through appropriately designed indicators that they have identified those repeat users that I talked about and successfully acted to intervene quickly. And that the strategies that you've deployed are fit for purpose and are working well for individual customers. And if not, that you're evidencing what subsequent improvements could be made. We'd be expecting firms to pre-test and refine those repeat strategies to ensure that the target customers are responding to the messaging and they're changing their account behaviour accordingly. I've got two more areas to cover.

I'm going to turn now to talk about business customers and in particular SMEs, so, small medium enterprises. The price and value outcome rules that my colleagues talked about require firms to ensure that what the customer pays is reasonable compared to the overall benefits. And there are rules that set out various aspects associated with that.

So, when I think about business current accounts for SME customers, our research has shown a couple of things. Firstly, complex terms and conditions can leave unclear what services are and are not provided to the SME. And we've also seen complex or opaque fees and charges, often purportedly risk-based or involving those teaser rates which might exploit inertia. And that results in leaving the SME unclear about what they need to pay, both in the short term and over the lifetime of the product. Those aspects that we've seen mean it's hard for SMEs to assess the value and to decide if they'd be better switching product or even switching provider. And if they do switch, there seems to be practical obstacles in their way or disincentives for them doing so. And what we've seen is there's a wide dispersal in pricing in this sector. We've identified challenges in that, which might imply that there's weak competition and that some SMEs are getting a poor value banking service. The Duty requires us to be, requires you to think about those customer outcomes and think about fairer, simpler, more consistent designs and pricing.

And the final area I'm going to touch on is around savings accounts. So our provisions in BCOBS set out the minimum information that should be provided about savings and they specify their format. But again, the Duty raises the bar. Again, we are looking for firms to be able to evidence that the outcomes in practice are fair and in savers' interests. So, firms need to consider, among many other things, whether the number and variety of their savings accounts

	<p>confuses customers rather than empowering them. Whether your approach to using teaser rates exploits or benefits from savers' inertia. Or whether it's benefiting from other behavioural biases. So, in effect, employing a loyalty penalty. And you need to think about whether you could develop nudge practices to further help savers overcome the perennial low switching among savings accounts.</p> <p>We should also note in relation to savings accounts that differential pricing practices, which cause some groups of savers to receive poor value, are not allowed under the Duty. And if you identify backbook savers that are receiving poor value, you should be taking appropriate action to prevent further customer harm. Firms also need to ensure that savings accounts purporting to be ethical, socially responsible, green or Sharia compliant are genuinely designed and run as such. And that those match the claims made in the promotions and in the distribution. Failure to do that, irrespective of whether return to the saver is high, would constitute acting in bad faith and could result in poor treatment.</p> <p>So as my colleagues have said, we're currently assessing the implementation plans from some of the firms in the sector, and we will be writing shortly to the chief executives, setting out our lessons from those implementation plans and our assessments and what we see at the FCA is our priority in the sector. But hopefully I've given you a flavour today, and I'd like to thank you for listening.</p> <p>I'm going to pass on to my colleague Paul Roe now, who's going to talk about the payments market.</p>
PAUL ROE	<p>Thank you very much, Emma. Good morning. I'm Paul Roe, and I'm Head of Department for the Supervision of Payments and E-money firms at the FCA.</p> <p>Payments and e-money firms play a critical role in supporting the day-to-day financial lives of individual consumers and of businesses and are vital to the functioning of the financial system. We really look forward to engaging with you as you continue to implement and embed the Consumer Duty, which is key to ensuring that everyone who relies on you, on your products and services, gets the outcomes that you intend and that they've got a right to expect.</p> <p>I will speak about the regulatory framework in which the Consumer Duty is anchored. I'll set out our expectations of payments and e-money firms, and I also do so with</p>

reference to our recognition that the payments and e-money sector is a diverse one. We think there are maybe at least 13 different business models. There isn't a one size fits all approach to how you run your businesses or to how you should embed the Consumer Duty. You need to do so with reference to your particular products and services, to your distribution channels, and to your target customer base. I'll also provide some examples of good and poor practice, and we'll be building on this with a Dear CEO letter in the next few months.

Now starting off with the relevance to payments and e-money. From a regulatory framework perspective, the Consumer Duty is anchored in FSMA, the Financial Services and Markets Act, in the Payment Services Regulations and in the E-Money Regulations in relation to products and services affecting prospective and actual retail customers. So, it is clearly directly relevant to payments, and e-money products and services.

But beyond that, we think it's absolutely essential because we think it supports and strengthens the goal that we hope you already have to put consumers and their outcomes at the heart of how you run your business. This is particularly important because of the crucial role I mentioned a few minutes ago that payments and e-money, products and services play for individual consumers and for businesses. It's also particularly important because payments and e-money firms may well be safeguarding customer monies and have a particular Duty to their customers in that regard.

But we also think it's beneficial for you to be doing this. We don't think there's a tension between doing the right thing for customers, having a reputation for doing the right thing for customers, and having a strong, viable, competitive business.

We also think it's particularly important in this sector because it is a relatively fast growing and innovative sector, and we welcome innovation. But there is a risk of harm to consumers if products are poorly designed or delivered in a suboptimal manner. And we think that effective implementation of the Consumer Duty will help you get that right.

And as you've heard from my colleagues, it is particularly important at the current time because of the cost-of-living pressures to do everything to enable customers to get good financial outcomes. And in this regard, we want you to be

thinking proactively about how you can help customers who may be struggling at the moment. How can you increase capacity to engage with worried customers and to enable them to take informed, effective actions that best look after their own financial interests? And we are already seeing and really welcome good examples of firms proactively contacting customers who they can see might be struggling and offering them advice and support.

Now turning to each of the four outcomes, in turn, we'll start with products and services, and our clear expectation is that you will ensure that your products and services are designed to meet the needs of consumers in your target market and to check on an ongoing basis that they are performing as expected. We expect you to assess whether your products and services have features which may potentially be harmful to customers who develop characteristics of vulnerability. And if they do have such features to consider what mitigating actions you can put in place pre-emptively and prospectively to prevent customer harm. We expect you to consider if you are sharing all necessary information with other firms that may exist in your distribution chain. And similarly, are you receiving information back from parties in your distribution chain? The information you need to be able to satisfy yourself that your products and services are reaching your customers in the right way and delivering the right outcomes. And are they being distributed to the right target market? And to support all of that, we expect you to use data and management information to monitor whether products and services continue to meet the needs of customers and to contribute to good customer outcomes. And this includes regularly reviewing the data and taking any necessary mitigating actions on the back of it.

I'll briefly speak to an example of good practice where we've seen an e-money firm offering a product aimed at a specific group of customers, but over time realizing that it is being sold to consumers outside of that original target market. Upon realizing this, the firm did the right thing and reassessed the product and satisfied itself that the product was indeed appropriate for this broader cohort of customers, notwithstanding the fact that they were outside the original target demographic. But the firm still went ahead further and amended its risk controls to ensure that the controls surrounding the product were suitable for the broader consumer base that this product was now reaching. And so, selling your product and services to customers outside your original target market is not necessarily a bad

thing. It's not necessarily going to lead to customer harm. But don't rest on your laurels. Don't assume that's the case. Don't hope that's the case. Proactively take diligent steps to satisfy yourself that that is the case.

Moving on to the second outcome on price and value. And you've heard quite a bit about this from my colleagues already. We all want consumers to receive fair value, but value is about more than just price. And we expect firms to assess that there is a reasonable relationship between the price paid and the overall benefit a consumer receives from a product or service. And this includes challenging yourself that your fees and charges are fair, proportionate, justifiable, and this could include account fees, inactivity fees. You had an example earlier from Ed about those top up fees, fees from micro-businesses transitioning to a different merchant acquirer. And you should keep these fee structures under review, including as your own costs change. And think about things like a transaction fee for buying a prohibited item such as an illegal knife. Such a failed transaction fee should reflect the cost to your business. And should be proportionate and reasonable. We also want to consider whether any particular customer cohorts, especially those who may have characteristics of vulnerability, aren't adversely impacted by your charging structures.

To take the example of an e-money account, which has a minimum charge for topping up that account, and you can imagine a customer group which makes frequent low value top-ups that best meets their own affordability and financial circumstances may result, and may end up paying more in fees for topping up the account, than a customer cohort that makes higher value, less frequent top ups. You've really got to question: is that fair? Is that appropriate? And with price and value in mind, we also want you to look again down your distribution chain, including agents and distributors, and satisfy yourself that the charges that they are laying on consumers are reasonable. And as principals, we expect you to have an eye on the reasonableness of charges applied by your agents and distributors.

Now moving on to the third outcome, customer understanding. We think it's critical the firm's communications should enable consumers to make informed decisions about financial products and services. And we expect you to provide consumers with the information they need at the right time, presented in a clearly understandable manner. And we also consider that your

communications should adequately take account of the potential for customer confusion that may exist as a function of your business model, or of how products and services are provided, and provide adequate signposting and explanations to mitigate this risk of customer misunderstanding. And these considerations should include, but not be limited to, clarity over fees and charges. And it should be clear to a customer and prominently available in your marketing communications and on the app, on your web pages, what your fees and charges are.

We think it's important that firms highlight the difference in protection that might exist across different products and services. For example, the difference between safeguarding arrangements against Financial Services Compensation Scheme protections. And we wrote to firms in the e-money sector in May of last year about this.

We also think it's important for firms to be clear with customers about which products are regulated and which are not regulated.

And again, I come back here to the theme about delivery to agents and distributors. We want you to be clear to customers on the split of responsibilities and who does what as it impacts on a customer's experience of buying a product or service, who does what in that delivery chain between a principal and agents or distributors. And we do think that principal firms should be considering their agents and distributors communications to the same extent, to the same standards and the same rigor as their own.

The fourth outcome relates to consumer support, and we expect firms to provide support that meets consumers needs through the full lifecycle of the product or service. And this includes and you've heard quite a bit about this from Emma already, providing support channels that are appropriate to your consumers.

And so, for example, if you are predominantly online only in your offering, you may prefer, or think it's reasonable to not offer other channels for consumers to interact with you. But that may not enable customers to interact with you to the extent they need to, if their circumstances change, if they're unable to access mobile connectivity for a period of time. If the Internet goes down, if because of affordability, if they no longer have a smartphone with the same functionality as when they took out the product or service. They may well

need to speak to a member of staff directly to report fraud in their account, for example.

So, an online only approach may not always be sufficient and may not always be effective. And we therefore expect firms to ensure that their contact channels meet their customers' needs in a range of foreseeable scenarios, including those scenarios in which customer's need for quick, responsive help is most acute and most important to them.

We think the firm should make it clear to customers how and where they can access support and how and where they can make a complaint if they wish to do so. And we also consider that if a firm determines that its products are no longer suitable. The firm should proactively contact customers and help them move to a more suitable product or make it easy for them to exit promptly. And I think the example we heard from Ed earlier about inactivity fees is very relevant in this context.

It's also worth considering here upon the controls that firms quite rightly have and which we attach huge importance to in relation to financial crime. And we are aware of, of the risk of firms in all sectors, including e-money and payments being targeted for use by criminals. But we also see instances of consumers accounts being frozen for extended periods of time while firms investigate suspicious transactions, which can lead to consumers experiencing financial difficulties. And inevitably, in some cases, those frozen accounts will be accounts of consumers who opened the account legitimately.

And we do sometimes see a mismatch between the speed with which a firm is willing to onboard a customer and open an account, and then not the same haste in the work to investigate and unfreeze an account for a legitimate customer. The poor outcome for them is clear and in some cases can have serious consequences.

So, we expect firms to ensure that they have effective financial crime controls which reduce the incidence of avoidable account freezing, and where it is necessary, and we do recognise that very often it will be, to freeze the customers' accounts that you investigate promptly and that you have clear communications proactively with the customer, but also a means by which a customer can get in touch with you to understand what's happening to their

	<p>account and when they may be able to expect to have access to it again.</p> <p>So, in conclusion, I've spoken about our expectations concerning all of the Consumer Duty outcomes. My team and I look forward to seeing evidence over the next few months of effective embedding of the Consumer Duty in firms across the payments and e-money sector. We believe that embedding the Duty effectively will help payments and e-money firms continuing to build trust among consumers in using the expanding range of payments and e-money, products and services. And this should help support the goal that you have that we share, that the sector can grow in a way that delivers consistently good outcomes for its customers.</p> <p>And this final slide on screen is a reminder of the key milestones that you'll need to consider as you implement the Duty in your firms. And we look forward to engaging with you as you do so. Thanks so much for listening.</p> <p>I'll now hand back to Emma, who will lead us for the Q&A.</p>
<p>EMMA STRANACK</p>	<p>Thank you. Thanks to Paul, Emma, Ed and Richard.</p> <p>Without further ado, I am going to go to the question and answer session alongside our panel members. We also will be joined by some subject matter experts online.</p> <p>But I'm going to start with a question for Richard Wilson in the studio, and that is about implementation plans. We've had a lot of questions about these. Richard, can you enlighten us a little bit more on what we're expecting to see in these plans as we start assessing them?</p>
<p>RICHARD WILSON</p>	<p>Yep. Thanks, Emma. I'm not surprised that they've had a lot of questions on these, given how current the issue is.</p> <p>So, as I said earlier, we set a milestone at the end of October for firms to get their implementation plans agreed. Obviously, we know that plans won't be set in stone at this point. Firms will continue to evolve and improve as firms learn more and do more of the implementation work over the year. But we thought it was really important to set the expectations since the pace of the work required to implement the Consumer Duty, we're already a quarter of the way through that one-year initial implementation period, and also to set expectations in terms of the level of oversight we expect of the implementation work going right to the top of the firm.</p>

	<p>So now that that deadline is over, firms can expect their supervisors to be asking to have a look at those plans. What will we be looking for when we review those? Well, firstly, the key thing to point out is, obviously, this is an exercise to help firms, to enable us to feedback where we see things we do and don't like and to help firms too, with their implementation work and to meet the deadlines, not to trip people up. And we'll be aiming to obviously feedback in terms of the good and poor practices we see more widely on our website and through events as well to help all firms to prepare for the implementation.</p> <p>But what will firms, what will a supervisor be looking for when they review?</p> <p>Two key things, overarching things. Firstly, deliverability is the firm confident that it will be able to meet the implementation deadline? Has it considered risks, dependencies and how to mitigate those? And secondly, has it engaged with the substance of the Duty? So, by that I mean, has it thought about the step change that will really be required and the full, how the Duty applies to their business model and considers the things that are being raised. For instance, in our engagement issues that Paul and Emma have raised today, they're relevant to their firms, have they thought about outcomes? What good consumer outcomes look like for their business model, for their products and services, and for their, what they know about their consumer base? Have they thought about things like in terms of deliverability? Have they thought about things like the key dependencies with their commercial partners? And when are they going to share information with the distributors? What's, how do they need to work with outsourcers and other partners? And then finally, another good thing to think about is that we'll be looking for evidence about how they're going to change the culture of their firm, make sure that all staff understand their responsibilities under the Consumer Duty.</p> <p>So, those are some thoughts in terms of what we'll be looking for when we review implementation plans.</p>
EMMA STRANACK	<p>Thank you very much.</p> <p>I'm going to go online now to Jason Pope, who's a Technical Specialist in the Consumer Duty team.</p> <p>One of the major themes that came up in the pre-submitted questions relates to the Duty's implications for wholesale banks that don't have a direct relationship with their retail</p>

	<p>customer. So, Jason, can you say a bit more about what responsibility these firms might have under Consumer Duty? Thank you.</p>
JASON POPE	<p>Certainly. And good morning to everybody.</p> <p>So, one of the key innovations of the Consumer Duty is that it applies to all authorised firms that have a real impact on whether consumers receive good outcomes. Not only to those that have a direct customer relationship. This means that some firms in the wholesale sector will be covered by the Duty if they have a material influence on retail customers.</p> <p>Now, it's important to say at the outset that this is only relevant where a firm can determine or materially influence retail customer outcomes. Where it can't, it wouldn't have obligations under the Duty. And, to be clear, as the Duty is focused on protecting retail customers, certain wholesale activities are specifically excluded from the Duty. For example, activities relating to non-retail financial instruments are taken out of scope. In other cases, where firms do have a material role in building and distributing products and services for retail customers, we think they should be subject to the Duty and responsible for delivering good outcomes.</p> <p>So, for example, if a firm can influence material aspects of the design or operation of retail products, including their price and value, they should be in scope. An investment bank, for example, that designs a structured product for sale to retail customers would be subject to the Duty. It wouldn't matter if the firm has a direct relationship with customers. Its role in product development would be subject to the Duty.</p> <p>We are sometimes also asked what amounts to a material influence, and we've provided a lot of guidance on this point. So, if you haven't already read it, I'd encourage you to take a look at that. To determine if a firm has a material influence, we need to consider the details of the case. For example, if a firm is providing factual information that would be taken into account by another firm drafting consumer disclosures, that firm is unlikely to have a material influence. On the other hand, if a firm is actually preparing or approving information to be sent to retail customers, that amounts to a material influence and the relevant parts of the Duty would apply.</p>

	<p>It's also important to say that the Duty is underpinned by the concept of reasonableness. We recognize that firms early in the distribution chain and remote from retail customers are in a different position to those that are closer to the end customers. So, the Duty should be interpreted in the context of the firm's role and its ability to guard against foreseeable harm. Again, this is an area we discuss in the guidance, and it might be helpful if you've got a question on this point.</p>
EMMA STRANACK	<p>Thank you very much, Jason.</p> <p>Following on from this, I'm also going to go to one of our online experts, which who is Ross Studholme in the payments policy area. We've also had questions about how the Duty applies across the distribution chain in the payments and e-money sector, including merchant acquirers. Ross, can you pick this one up for us?</p>
ROSS STUDHOLME	<p>Yeah. Thank you, Emma. And good morning, everybody.</p> <p>So, the Duty will apply to all payment service providers where their activities can determine or have a material influence over retail customer outcomes.</p> <p>So, for example, a distribution chain may include an e-money issuer or agents and distributors or program managers that carry out activities on behalf of the issuer. The e-money issuer might design the products or service that's then distributed by agents or distributors, and it's the issuers' responsibility to ensure that the agents and distributors comply with the Duty when providing services on behalf of the issuer.</p> <p>Another example of the distribution chain in the payments sector may be a credit institution that safeguards the funds of payment or e-money institutions. Similarly, a payment chain might include payment initiation service providers in addition to the account providers executing the payments. The Duty also applies to merchant acquirers in respect of the retail customers of an acquirer. In these circumstances, retail customers include micro-enterprises and charities with an income of less than £1 million.</p> <p>Ultimately, the application of the Duty in respect of a card issuer's customers will depend on the circumstances and the extent to which the acquirer can materially influence customer outcomes for the card issuers customers. Emma.</p>
EMMA STRANACK	<p>Thank you very much for that, Ross. I'm staying with our online experts.</p>

	<p>I'm now going to Patricia Easterbrook in banking policy. Patricia, can you talk us through how the Consumer Duty fits with the existing guidance we've given on branch closures?</p>
<p>PATRICIA EASTERBROOK</p>	<p>Thanks, Emma. Gladly. And good morning, everyone.</p> <p>So, the current Consumer Duty extends our principles, and it's really important to recognize that the guidance that we have on branch closures, which we updated last month, actually relates to the existing principles.</p> <p>So, because of that extension that we have with our new Consumer Duty, particularly around outcomes, in the evidence of outcomes, it's going to be important for firms to think not just about what they do, but how they prove the impact it's had on customers. Now, as we have ongoing discussions with firms about their existing plans to close branches and change the services and branches, we currently signpost to them where we see really good examples that they'll be able to use to include in their Consumer Duty evidence. But what we will do is next year we'll be updating the existing guidance so that we make it even clearer exactly where the changes are, so that firms can see the difference between the current principles and the new principles and how they'll apply.</p> <p>Back to you, Emma.</p>
<p>EMMA STRANACK</p>	<p>Thank you, Patricia. Now I'm going to stick with our online team and go to Jason Pope again.</p> <p>This is a question that's come in from our live audience. When considering differential pricing, what is our view on the economics of risk reward, i.e., higher risk customers, potentially more vulnerable by definition, being charged a higher price?</p>
<p>JASON POPE</p>	<p>So, the rules don't require firms to charge all customers the same amount. Charging different prices to different groups of customers is not therefore necessarily a problem.</p> <p>What counts, actually, where firms charge different prices to separate groups of customers, including teaser rates (I know that we've had a number of questions about teaser rates) is that the price charged for the product provides fair value for customers in each group. So, it's fine to offer different prices, but, for every group of customers, it should provide fair value. And firms need to consider how different groups of customers are affected. Some groups of customers will obviously be more at risk of harm. They should take extra care when dealing with customers with</p>

	<p>characteristics of vulnerability. And it's really good to refer back to our guidance on the fair treatment of vulnerable customers from 2021.</p> <p>So, again, overall, the firms should be able to evidence to us that the price represents value, fair value to different groups of customers and including those with characteristics of vulnerability.</p>
EMMA STRANACK	<p>Thank you, Jason.</p> <p>I'm going to go to Ian Searle now in the Consumer Duty Team with another live question that's come through. And this is about authorisation, Ian. We've had a question about what we're requiring firms who are seeking new authorisations. What are we requiring them to show for approval?</p>
IAN SEARLE	<p>Yeah. Thanks, Emma, morning, everyone. And that's a really key question.</p> <p>So, as you'd expect firms come to the gateway. We're doing a forward-looking assessment there about their ability to comply with the requirements. So, any firm coming through the gateway from now on will absolutely be needing to show that it can comply with the Duty when it comes into effect. And so that's going to mean we'll be looking at how they're going to gather information from prospective customers to determine their target market and the M&I processes they're going to have in place to check if customers are getting good outcomes or different outcomes to what they expected, how they'll identify that and also, obviously, how they've satisfied themselves that their products are fair value and that additional costs are reflected in driving value for customers.</p> <p>So just as we use our fair value rules at the gateway now in the sectors where they already apply, we'll be doing that going forward for all firms coming through the gateway.</p>
EMMA STRANACK	<p>That's helpful. Thank you very much, Ian. Coming back into the studio now and I'm going to speak to Ed.</p> <p>We've had a few questions about how we're going to measure the success of the Consumer Duty, and will we be asking firms for more data, Ed?</p>
ED SMITH	<p>Thanks, Emma.</p> <p>So, just as we ask firms to be data-led in their implementation of the Consumer Duty, so we will be data-led in in our implementation of the Duty. And we do so at different levels.</p>

	<p>So, at the level of financial services in general, our strategy that we published this year set out a number of top line measures that we will be assessing the success of the Consumer Duty by. And these are measures in relation to fair value, in relation to suitability and customer understanding. So, across financial services and essentially we will be using survey data, complaints data, FOS, FSCS data to understand how the Consumer Duty is changing the outcomes in the marketplace across financial services.</p> <p>So, underneath that, we are also developing a set of sectoral and portfolio measures for each portfolio sector to understand the impacts over time, again, that the consumer will be having. Again, that's a mix of different types of data. Some of that is survey data specific to that sector or portfolio complaints data specific to that sector or portfolio, but also market data, real time data switching data, pricing data, that might give us also an indication of how the Consumer Duty is impacting in that sector.</p> <p>Then below that, of course, we are asking firms to look at their own data. We will be looking also at data in respect of certainly the fixed firms in our portfolios, to understand what outcomes their customers are getting. And we aren't at the moment planning on issuing another reg return on that particular data request in relation to the Consumer Duty. I think Richard touched on that. That may be something we come back to in the future, but we are doing a firm survey. So, we are going out to survey the marketplace to understand how firms are getting on with the Duty and where they are in terms of implementing it and monitoring it. So that will be on going live over the next two years.</p> <p>Thanks, Emma.</p>
<p>EMMA STRANACK</p>	<p>Thank you, Ed.</p> <p>We've had another question which sort of builds on that, actually. Which is about how firms themselves should be monitoring the Consumer Duty. So, can you say a bit more on our expectations for how firms monitor consumer outcomes?</p>
<p>ED SMITH</p>	<p>Sure. So, I talked a bit in my presentation about the sorts of data that firms should be looking at in terms of understanding the outcomes that their customers get. I also talked about the different sizes of firms, different business models, different sizes.</p>

	<p>Essentially, firms will have different data available to them. And we understand that we're not expecting a one size fits all in terms of the data monitoring, but we do expect that firms use the same sorts of data and this with the same sorts of rigor that they would do in terms of assessing their sales, their marketing campaigns, their revenues, that they use those same sort of data to understand what outcomes consumers are getting. So, all firms will have a degree of data. Large firms certainly have more sophisticated types of data, but we expect them to use that to monitor it over time, that the boards and the committees will also have sight of that data to really understand the outcomes that consumers are getting. And we present, I presented some examples here.</p> <p>There's loads more examples in the guidance. And I do recommend that you read the guidance because it has quite a lot of insights into the sorts of data that firms might use and develop over time.</p>
EMMA STRANACK	<p>Thank you, Ed.</p> <p>Sticking in the studio. And a question now for Emma on scams. We've had a few questions in about how the Consumer Duty affects the handling of scams, in particular advance push payment, but also non-APP scams. Emma, how should, well, what more can you say about this?</p>
EMMA JONES	<p>Thanks, Emma. And a really good question to ask because scams and fraud of any kind is really distressing for customers at any time. So really, really important. And I think the Duty gives us a couple of things to think about. So, I think this goes to the heart of that support and customer understanding that we talked about.</p> <p>So, if we think about firstly preventing foreseeable harm, I think firms need to be thinking about what they can do in that space. So, have you got enough positive friction for consumers to think about when they're about to make high risk transactions, whether there's sufficient warnings that the consumers really understand the risks associated? Do they know where they can find support and guidance?</p> <p>And then when the worst thing happens and they are victim of a fraud, that there is support. So, it's going right back to that support. So, and as I mentioned and I was talking earlier, I think this is when we really need to see that sort of timely human interface. This is going to be distressing times when people realize they've been a victim of fraud. So, thinking about timely, swift support that can be offered to</p>

	<p>customers will be really important, whether it's by phone, face to face or whatever, people can have a conversation.</p> <p>The other thing that I'll note Emma, on push payment fraud in particular, is you'll have seen that the PSR, the Payment Systems Regulator, recently put out a consultation paper on rules in this space, we're working alongside PSR on that. But it's important to note that those proposed rules will sit alongside the Consumer Duty and work together in helping prevent fraud and ensuring that consumers are protected.</p>
EMMA STRANACK	<p>Thank you, Emma. An important question there. Now, I'm going to go back online to talk to Ross.</p> <p>We've had a question about open banking. Ross, do you think open banking can have a bigger role to play to increase engagement and oversight with customers and help drive those good customer outcomes onto the Duty?</p>
ROSS STUDHOLME	<p>Thanks, Emma. So, with the customer's consent, open banking could be used to monitor a customer's account spending, including their spending on gambling websites. And this information could be provided to the customer to help them manage the amount they're spending on these types of websites.</p>
EMMA STRANACK	<p>Thank you very much indeed. Thank you, Ross. Back to the studio and a question for Richard.</p> <p>We've had quite a lot of questions on this, and it's about the role the champion plays. Obviously, we've asked for a champion on the board or the management body. Richard, can you talk a little bit about what that role is, what our expectations are? And actually, does that responsibility differ from a senior management function holder, for example?</p>
RICHARD WILSON	<p>Yeah, we've already had a positive engagement with firms on this, who are clearly thinking about how to set this up effectively within the firm, and we've put some extra information about our expectations on our website about a month ago to help firms.</p> <p>So, the key thing, two key things we want to achieve with this board champion role is, firstly we want the board champion to make sure that the Duty's being raised in all relevant discussions, to make sure it's being discussed and there's proper challenge. And secondly, to make sure again that the management board, the board, the non-execs are challenging and engaging properly on the Consumer Duty.</p> <p>But also want to be clear about what it's not. It's not a prescribed function responsibility under the senior</p>

	<p>management and certification regime. And it doesn't affect the board's existing collective responsibilities or their individual roles and accountabilities, for instance, in terms of implementing effectively the Consumer Duty which all members of the board will have a role in achieving.</p> <p>We haven't been, deliberately haven't been prescriptive about how the champion role is set up. That's because we want firms to set it up in a way that complements and fits around their existing responsibilities on their board or management body. And we want, in the structure of the firm, whether that's part of a bigger group or indeed, you know, for a smaller firm, we recognize that it's going to be a much more informal role, potentially. Potentially. So, we've tried to be as flexible as possible because we want firms to use their judgment and set this up in an effective way.</p> <p>And from the discussions we've been having with firms, that certainly seems to be having that effect with firms thinking about how to fit it into their existing governance or this role into their existing governance arrangements. And they just seem to be having the effect we want in terms of making sure that the Duty is a focus of discussions and it's then the focus of challenge and debates among not just the execs but the non-exec on a board as well.</p>
<p>EMMA STRANACK</p>	<p>Thank you. Thanks very much, Richard.</p> <p>Now another question for Ian Searle online. Something that comes up quite often is about proportionality and how do we apply the Duty and is there a difference between how we apply it with smaller firms and larger firms, Ian?</p>
<p>IAN SEARLE</p>	<p>Yeah. Thanks. Absolutely. This is a question that's come up a lot in my engagement with firms. And I think it links to a point from the live questions around how does it flex based on different business models? So, I think Richard and Ed have touched on much of this today already.</p> <p>So, the Duty absolutely applies proportionately and based on what's reasonable and based on the firm's role and its ability to influence outcomes. So let me just go through some elements of that.</p> <p>So, what we expect of firms will depend on several factors like the nature of the product or service being offered and the risk of harm and or the characteristics of the customer base. So, for example, if you've got high risk or complex products, then firms are going to need to take extra care to make sure it's targeted and distributed appropriately. Or thinking about communications firms are going to need to</p>

	<p>make different assumptions for a mass market product about what is understandable than they would if they were doing something targeted at a more sophisticated customer base. And those are just two examples, but the guidance sets this out really comprehensively, so I'd encourage all firms to look at that.</p> <p>And then thirdly, a point Ed made earlier around larger and smaller firms. So, we absolutely call out in the guidance that firms are going to have different capabilities, different levels of sophistication, whether that's on testing or MI with data. So clearly a two-person partnership is going to be very different to a multinational bank. And so, as Ed said, we've given smaller firms sort of rules of thumb and guidance that they can apply to see how this Duty will scale to their business. And all of those are based on that principle of, are you applying the full range of capabilities you do have and the same standards to deliver on customer outcomes as you are on generating business or profit in the same area? So, for example, are they using the data insights they already have on target marketing and sales to monitor outcomes? Are communications focused on complaints or switching as understandable as those used to sell the product? Is it as easy to switch or complain as it was to purchase? And so on.</p> <p>And I think that I mentioned that the issue of small firms has come up a lot in my engagement. We're really keen to continue that engagement and support smaller firms as they implement, and that's going to be a big focus of the events and ongoing comms we have planned. So please do take part in that. Thanks Emma.</p>
<p>EMMA STRANACK</p>	<p>Thank you, Ian.</p> <p>A question for Paul Roe in the studio now, can you tell us how the Consumer Duty applies to crypto assets firms and how does it apply to e-money or payments firms offering crypto assets?</p>
<p>PAUL ROE</p>	<p>Yes, thank you, Emma.</p> <p>As I mentioned earlier, the Consumer Duty applies to regulated and ancillary activities of firms authorized under FSMA, under the PSRs and under the EMRs. And at the moment, the provision of digital assets or crypto assets is not regulated under those pieces of regulation, and thus the Consumer Duty does not currently apply to the provision of crypto or digital assets. If a payments or e-money firm offers crypto, the Consumer Duty clearly applies for its payments business and for its e-money business. Those</p>

	<p>activities that are regulated under EMRs and the PSRs, not to the crypto activity.</p> <p>It is worth noting that earlier this year the Treasury announced its intention to consult in the future on a broader regulatory regime for crypto or digital assets. It's therefore possible that crypto and digital assets will in future come within scope of certain regulations that currently do not apply. The Consumer Duty may be an example of that. It's also worth noting that notwithstanding the fact that crypto and digital assets do not technically fall within the regulations which anchor the Consumer Duty, we nonetheless expect the provision of crypto and digital products and services to customers to be done with due consideration to good customer outcomes.</p>
EMMA STRANACK	<p>Thank you very much. Do we have time for one more?</p> <p>I'm going to ask this final question to everybody across the panel. We've been asked, what is the single biggest thing that firms can do now to ready themselves for the Consumer Duty?</p> <p>Richard, I'll kick off with you and then along the panel, please.</p>
RICHARD WILSON	<p>And what I would say, the first things to start with and the key principle to think about what good outcomes means for your customers in your circumstances. So, what is a good outcome for the customers of your products and services? And one way of looking that is to switch on its head and think about what poor outcomes are, what the foreseeable harm may be, and to think about, use the cross-cutting rules and the outcomes to kind of focus your thinking, and obviously make use of our guidance as well as there's lots in there on what we mean by good outcomes, but to help you. But in the end, it's the, you know, the firm is going to be in the best position to think about it, given its knowledge of its own business model, its own customers.</p>
EMMA STRANACK	<p>Thank you, Ed?</p>
ED SMITH	<p>So, I'm going to sound like a broken record, but I'll say data again. So, think about the data that you can get to measure the outcomes for your products, for your business model, and really start thinking about marshalling that data, and using it to understand the outcomes that your customers are getting.</p>
EMMA STRANACK	<p>Emma?</p>
EMMA JONES	<p>Thanks, Emma. As I talked about in my presentation, I think firms are grappling with a number of issues at the moment, whether it's transformation, stretch, strategic decision</p>

	<p>making or whether it's cost of living. And there will be live discussions going on in your organization right now about all of those things. So, I'd encourage you to use that as an opportunity to test Consumer Duty at any stage. Think about things like consumer understanding. Think about support. Think about some of the examples we've all talked about today and feed those into those discussions now because it's never too soon.</p>
EMMA STRANACK	<p>Thank you. And Paul?</p>
PAUL ROE	<p>I hope that the process of reflecting on how you can most consistently and effectively achieve what we hope is core to your goals and how you run your business - delivering good customer outcomes - has actually been a rewarding process, not a daunting one. But if you're not as far advanced with your planning as our timeline requires, it's never too late to start doing the right thing. So please reflect on what you've heard today. Make use of the materials that are available and actively seize this as an opportunity to satisfy yourselves and your customers and us that you can be relied on over the long term to do the right thing for your customers.</p>
EMMA STRANACK	<p>Thank you and thanks to all of you. That brings us to the end of our webinar today. Thank you very much for coming in and joining us and for all your questions.</p> <p>Please, please, please, do answer this one question on Slido using the details on the screen. Just one question so we can compare from earlier today.</p> <p>We will be planning more communications. Our Consumer Duty hub on our website will continue to be updated with new information for you. And we will be sending an email following up with a more thorough evaluation than this single question.</p> <p>That's it from us from this morning. Thank you very much for your time and have a good afternoon.</p>