



Compliance Guide

# Consumer Support Under the FCA Consumer Duty





# The Need for Supporting Customers under Consumer Duty

Now that we have passed the crucial 31 July 2024 deadline for the first annual Board reports on 'open products' and 'closed products' under the Consumer Duty, we at FourNet are committed to guiding firms through these changes with precision and foresight. FourNet has been working closely with organisations to help guide them through FCA Consumer Duty and the second half of 2024 and into 2025 is set for more challenges, with numerous new policies being rolled out.

The FCA continues to deliver strong messages through "Dear CEO" letters, speeches, podcasts, and interventions, highlighting the risks of reputational damage, hefty fines, and required corrective actions. These messages underscore the importance of managing risks, including those involving supply chains and outsourced providers.

In May 2024, we saw the FCA issuing requests for information (RFIs) focusing on consumer support and conducting surveys on consumer vulnerability identification and management. There is a significant emphasis on handling people affected by the cost-of-living crisis, especially those in problem debt.

**Customer Support.**

**Prevent flagged support harms:**

- Consistently poor or slow service
- Inadequate channels of support
- Dealing with non-standard issues
- **Customers with characteristics of vulnerability**
- Under-resourced helplines
- Difficult to navigate services (e.g. IVR, menus, portals)
- Badly designed websites

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## FCA interventions highlight the challenge ahead - M&S and HSBC fined

Recent fines, such as the £6.2m imposed on HSBC UK and Marks & Spencer Financial Services, demonstrate the serious consequences of failing to meet FCA standards. These penalties, related to deficiencies in treating customers in arrears or financial difficulty, are a stark reminder of the importance of adhering to new regulations, particularly those outlined in PS24/2, which will take effect in November 2024.

The UK Regulators' Network (UKRN) and the FCA have warned firms about the fair treatment of consumers struggling with debt, especially those exhibiting vulnerability. These fines, linked to conduct from as far back as 2017-2018, highlight ongoing regulatory 'deep dives' into the handling of vulnerable customers during the cost-of-living crisis. In HSBC's case, their self-reporting of deficiencies underscores the importance of proactive compliance and self-assessment.

"Between 1 June 2017 and 31 October 2018 (the "Relevant Period"), HSBC UK breached Principles 3 and 6 of the Authority's Principles for Businesses by failing to show forbearance and due consideration to customers when they fell into arrears or experienced financial difficulties. As a result of these failings, at least 1.5m customers were identified who suffered, or were at risk of suffering detriment. To date, HSBC UK has paid £185m in redress to these customers."

The failings were caused by deficiencies in HSBC's policies and procedures and the training of their staff, as well as inadequate measures to identify and address instances of unfair customer treatment. This will resonate with firms preparing for their Consumer Duty reports in July 2024 and preparing for closed products to become applicable at the same point in time. An extract of the HSBC report will be very relevant around affordability assessments.

"Customer circumstances: HSBC UK entered into payment arrangements or took payments from customers without conducting appropriate affordability assessments. This resulted in some customers being unable to afford the payments or maintain their arrangements, which could have put such customers in a worse financial position."

The Duty has sharpened the focus. The FCA sent out "Dear CEO" letters to regulated firms on 16 May setting out their expectations on closed products and warned Debt Buyers and DCAs on 22 May 2024 on information requests that are imminent with a 3-week response timetable. Like the Consumer Support RFI, there is then a second stage that firms probably don't want to be picked for.





## FCA interventions highlight the challenge ahead - M&S and HSBC fined

With regard to the 'Debt Collection Survey', all firms in this portfolio will receive the 'Phase one' request from the week commencing 10 June 2024 and will have 3 weeks to respond.

There will be questions on the following topics:

- Your business model
- Type of regulated and unregulated debt collection your firm undertakes
- Revenue from both regulated and unregulated debt collection
- Control frameworks and oversight you have in place
- How has the Consumer Duty been embedded into BAU
- Consumer complaints (volumes, oversight, resolution process)

They have included questions related to unregulated debt collection (e.g. Utility debts) as the regulator believes this is an indicator of firm culture. Contingency based (i.e. "no win, no fee") recoveries have been under scrutiny for some time, including the impact on financial and operational resilience.



<https://www.fca.org.uk/publication/correspondence/dear-ceo-letter-implementing-consumer-duty-closed-products-services-all-other-firms.pdf>

<https://ukrn.org.uk/cost-of-living-working-group-joint-letter-2/>





## Other sector requests on short deadlines

In the debt advice sector, we have seen short notice information requests with the objective of learning about the positive changes made in light of the Duty and the impact it has had on the sector, whilst building stronger FCA relationships with firms within the portfolio.

To assist the FCA in this objective, they would like to request the following information:

- What changes the firm has made to the design of its products as a result of the Duty
- A description of the fair value assessments carried out in relation to the firm's products
- Details of the 'framework' put in place to monitor whether its communications are supporting customer understanding and helping customers to make effective, timely and properly informed decisions
- The assessment carried out in relation to customer journeys and where consumer support outcomes have been improved
- How vulnerable customers are identified throughout the customer journey and what measures are in place to deal with such customers
- How the firm identified any poor outcomes and what has the firm done to rectify these
- Whether the firm is prepared for their July 2024 annual review to the board. If yes, what will be presented in terms of MI and dashboards?

The response format is open ended, where a selected firm needs to consider how substantive responses should be. Unlike other recent information requests, there isn't a clear second stage.

FourNet consultants have been working with regulated firms to address many of the questions above in terms of substantive responses and approaches to evidencing good outcomes at both an operational and executive management level.



# Information for firms – Vulnerability identification and management

The FCA Consumer Duty webpages for regulated firms have been updated on 24 May 2024 with a vulnerability section. This followed the FCA Vulnerable Customer (40 question) survey that closed on 14 May 2024. FourNet consultants have supported clients with the completion and 'gap analysis' work ahead of the next round of information and data requests.

Some of the information opposite is a summary of the 40 questions and sub-sections in the FCA survey.

As part of our Consumer Duty diagnostics, we review self-serve and payment portals against the requirements of BSI ISO 22458 (consumer vulnerability and inclusive design) and the FCA expectations, which increasingly mean better examples of good practice than those in FG21/1. Affordability assessments are also a priority with PS24/2 (BiFD) requirements due to be implemented by November 2024 for the majority of financial service firms subject to the sourcebook – CONC 7.

**The Financial Conduct Authority (FCA) expect that the firms they regulate to be operationally resilient by having a comprehensive understanding and mapping of the people, processes, technology, facilities and information necessary to deliver core business services. This includes people and other dependencies such as third parties (supply chain management). Firms must proportionately assess the risks & controls in place to ensure they are operationally resilient throughout a customer journey.**

## **We (FCA) want firms to be able to:**

- identify customers in vulnerable circumstances
- understand their needs
- act to meet those needs where necessary

This should help achieve good outcomes for customers, which is at the heart of the Consumer Duty.

Under the Duty we expect firms to actively encourage customers to share information about their needs or circumstances, where relevant.

## **Firms should:**

- set up systems and processes that enable customers to disclose their needs
- support staff to actively identify signs of vulnerability, for instance through training and resources

## **Firms should try to recognise the needs of consumers, whatever channel they use.**

Firms with digital channels could introduce tools, such as text boxes or chatbots, to allow consumers to share information about their needs.

Firms that speak to customers face to face or on the phone can support staff to:

- recognise observable signs of vulnerability
- encourage the customer to discuss their needs

This should allow firms to capture information about customer needs, such as characteristics of vulnerability or for communication. Unless firms capture such information, it's highly unlikely that they'll meet the needs of all their customers.



## Strategic outsourcing

The [FCA's Handbook Glossary](#) sets out the definition of 'outsourcing'. In most instances, a firm would be outsourcing when they are involved in an arrangement where a service provider performs a process, service or activity on behalf of a firm which the firm would otherwise carry out itself. So, for example, a firm can outsource the hosting of a data centre or business process to a third party like FourNet, notably where they have domain expertise that is not easily developed by the firm itself.

## Don't lose sight of the customer experience (CX) perspective

### FCA quote:

"We have talked a lot about what is needed next from you as you continue to embed the Duty. But through all the policy, the process, the systems and the communications changes that you are making, it is really important not to lose sight of the consumers that we are all here to support and serve. So, keep your customers front of mind, understanding their needs and characteristics and the outcomes they are experiencing."

## Consumer Duty Board Report for July 2024

As part of the Consumer Duty diagnostics, FourNet is looking at progress since Board approval of implementation plans at the end of July 2023 for 'open' products. Those with a significant number of closed products (e.g. [life insurers](#), pension providers, mortgage providers, debt buyers) have additional challenges beyond their open products.

The Duty comes into effect on 31 July 2024 for these closed products or services. 'Closed products' are no longer marketed or distributed to retail customers nor open to renewal. Consumer Duty events that FourNet ran in 2023 and Q1 2024 highlighted that many medium and large financial services firms had significant closed books, often residing on legacy systems. Fair value assessments may represent a challenge on some books (e.g. original mortgage terms from years ago where customers won't switch).

### FCA test:

If existing customers can continue to make payments under the existing product terms, this would still be considered 'closed' if the product or service is not open to new customers. For example, a pension product that is no longer sold to new customers, but where existing policyholders can continue to pay in contributions, would be considered closed.



## Consumer Duty Annual Assessment Summary

This section should include an executive summary, detail on the approach taken to (and results of) monitoring customer outcomes and a summary dashboard. It should also cover key actions required to address any evidential gaps or identified instances of poor outcomes, and any required amendments to the firm's strategy. This section of the report should also definitively conclude on:

- The overall outcomes being received by retail customers
- Whether the firm is complying with its obligations under the Duty
- Whether the firm's future business strategy is consistent with its obligations under Principle 12 and PRIN 2A

## Measuring good consumer outcomes at scale

Preventing consumer detriment and being able to measure good consumer outcomes is a recurring theme in the frequent messaging from the regulator. There is a clear expectation that these messages are effectively relayed to all staff covered by the SM&CR regime, including customer facing agents and third parties used by the firm as an extension of their product & service delivery.

**"The Consumer Duty remains a top priority for the FCA. We will continue our work across all sectors to test firms' implementation and embedding and will share good practice to support the industry. The work to embed the Duty has only just begun. The Consumer Duty is not a once and done exercise. If we want to continue to see the benefits, we all need to keep a foot on the gas."**

**Nisha Arora, Director of Cross Cutting Policy and Strategy –  
speech 1/11/2023**

<https://www.ukfinance.org.uk/news-and-insight/blog/banks-face-extra-challenge-develop-goldilocks-annual-board-report-consumer>

<https://www.fca.org.uk/firms/consumer-duty/how-using-duty>





## In Conclusion

It is clear that the FCA means business and is taking a data and evidence driven approach to the bedding in of the Consumer Duty. Many themes are closely aligned, where these also align with FourNet's strengths in both its CX proposition, but also its excellent track record around operational resilience that is critical in the world of financial crime prevention, business continuity and instilling consumer trust.

The FCA has published a consultation (CP24/9) around changes to their Financial Crime Guidance (FCG). This closes on 27 June 2024. They are proposing updates to the FCG in relation to sanctions, proliferation financing and transaction monitoring. They are also proposing to add references to the Consumer Duty, along with consequential changes throughout the Guide. Firms need to consider whether their systems & controls are proportionate and consistent with their obligations under the Duty, which should include cyber-resilience. This was a 'hot topic' in our Duty events in March and April 2024.

# Why FourNet?

## **Delivering Digital Transformation**

FourNet will help our customers deliver their digital transformation goals to enhance customer experience, improve employee productivity, streamline operations, address compliance issues, stay ahead of competitors and accelerate innovation through rapid diagnostic using data science & operational analysis.

## **Improved Customer Experience**

We help deliver an enhanced customer experience through data-driven transformational CX consultancy, enabling customer self-service and offering true omnichannel contact center capabilities, giving customers increased customer satisfaction, ensuring retention and improving engagement.

## **Increased Agility**

FourNet's sprint methodologies combined with our stable, established Agile Cloud/ANTENNA Cloud platforms can help our clients quickly transition to the cloud, unlocking increased flexibility and speed to adopt new solutions and innovate.

## **Risk Mitigation**

Our Project Managers are trained in both Agile and Prince2 methodologies and will agree the right approach that meets our clients risk profile and timescales. Underpinned with our cyber & networking security division, FourNet reduce risk for both organisations and their customers.

## **Data Driven Decisions**

FourNet's data science capability help our clients process and analyse internal data to prioritise the right decisions and initiatives to deliver improved CX, drive effective digital transformation, reduce costs through increase operational efficiency, increased adoption and improve collaboration enabling them to better measure and drive ROI.

## **Process Efficiencies**

Utilising FourNet's CX Consultancy, we help our clients improve their overarching customer experience, deliver operational efficiency, reduce churn, improve employee engagement and drive greater satisfaction by transforming and streamlining their business processes. Processes are mapped, analysed and optimised to deliver your strategic goals.

## **Responsible Business**

As an industry leader in working towards net zero, delivering social value to our public sector customers; FourNet will work collaboratively with our clients to understand their Environmental, Social and Governance (ESG) priorities and ensure our solution helps them achieve them.





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