



CONSUMER DUTY

What is the new Consumer Duty?

The Consumer Duty principle states:

"A firm must act to deliver good outcomes for retail customers."

The FCA has also introduced a new Conduct Rule:

"You must act to deliver good outcomes for retail customers".

What is included within the Consumer Duty?

It comes into effect on 31 July 2023 and includes:

- An overarching standard of conduct.
- A set of cross-cutting rules which are intended to clarify the FCA's expectations.
- Four outcomes relating to critical elements of the firm-consumer relationship.

Three Cross Cutting Rules

The Consumer Duty cross-cutting rules will define the standards of outcomes a reasonably prudent firm is expected to deliver. They are:

- Firms must act in good faith towards retail customers
- Firms must avoid causing foreseeable harm to retail customers
- Firms must enable retail customers to pursue their financial objectives

Four Outcomes

The Consumer Duty principle is underpinned by four outcomes, which describe the level of service and positive results firms need to be able to deliver for their clients.

These outcomes are titled as follows:

- Consumer Understanding
- Products and Services
- Consumer Support
- Price and Value

Increased Evidence Requirements

The Consumer Duty carries a higher evidentiary burden than many previous FCA requirements.

Firms must have a suite of MI/documentation demonstrating how they deliver good outcomes for consumers.

Annual Review

At least annually, firms will need to sign off an assessment of their Consumer Duty monitoring and actions and whether they are delivering good outcomes for their customers.

The FCA will expect the first of these reports before 31 July 2024.