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FCA Compliance: Consumer Duty and the Impact on Financial Services Communications



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One of the key industry regulators in the U.K., the [Financial Conduct Authority \(FCA\)](#) has introduced a new directive aimed at protecting banking and financial advisory consumers, which has significant compliance implications for more than 58,000 businesses in the region. Following on the heels of its [Vulnerable Customer regulation](#), the FCA's new Consumer Duty regulation addresses not only the ways in which financial institutions communicate with their customers, but also how easy they make it for customers to engage in return.

Consumer Duty was rolled out quite quickly – and with the [FCA's final guidance](#) spanning 121 pages, it's a lot to take in. Many organizations are wondering exactly how it will affect them and what they need to do to ensure FCA compliance. Let's look at what this new regulation means and how you can leverage it as an opportunity to improve customer communications and service, rather than an obstacle to work around.

What is Consumer Duty and When Do FCA Rules Apply?

Consumer Duty is a set of rules for financial services firms that enforces greater consumer protections. Banks must align to its overarching principles: that communications sent to consumers should be easy to understand, products and services should meet their needs and offer fair value, and consumers should be able to get the support they need, when they need it.

The FCA [developed these Consumer Duty compliance guidelines](#) to enforce these principles as part of a [paradigm shift](#) it hopes to influence in both the culture and conduct of financial institutions. Financial services and insurance firms operating in the U.K. were required to have an implementation plan in place for FCA compliance with Consumer Duty by October 2022, and [need to have rules in place](#) for open products and services by July 2023 and for closed products and services by July 2024. (Note that organizations in the U.S. market are seeing [similar regulations](#) from the Consumer Financial Protection Bureau / CFPB.)

FCA Compliance Implications for Financial Services

Several of the Consumer Duty's key requirements call for firms to improve the customer experience. If your business operates in the U.K., while it's easy to view these as more regulatory hoops to jump through, they present an opportunity for your organization to assess current communications across the entire customer journey and identify where and how you can do better. Here are three examples.

1) Fast-Tracking Customer Support

One Consumer Duty requirement dictates that firms must "provide helpful and accessible customer support." That means making it faster and easier for consumers to get the answers they need, and not making them wait so long for an answer that they give up.

To comply with this mandate, firms will need to centralize processes for collecting client information, so that it can be used to trigger automated responses and so that it's available to support contact center agents or financial advisors in real time. In addition, firms will need to offer more robust self-serve options on digital and mobile channels, such as smarter chatbots, to save customers from having to call a contact center and wait on hold. The goal should be to make it possible for customers to get whatever help they need in the most convenient way possible – on the channel of choice.

2) Revising Communications for Clarity and Readability

Consumer Duty also requires firms to provide timely and clear information so consumers can understand the products and services they buy and make sound financial decisions. Rather than burying key details in lengthy terms and conditions that few people actually read, firms must work to make communications clear and readable, and be able to prove that they've taken steps to optimize their communications.

Additionally, financial services firms must provide products and services that are right for clients – that is, personalized to their needs. This means organizations must provide clear, transparent communications that guide clients to the right decision for their unique circumstances. This also means maintaining a full audit trail showing when and how communications are updated for FCA reporting.

3) Shining the Light on Communication Pain Points

Consumer Duty is all about making things easy for the customer by asking financial institutions to optimize their communications – to make sure customers understand things like the cost of the financial products they own and how to use their benefits. In addition to reviewing and optimizing customer communications, firms can take this opportunity to review common journeys to identify when and where customers or even employees get hung up or are likely to abandon a process and find ways to improve.

Solving for common pain points is also an opportunity to boost customer satisfaction and retention. In an uncertain economy, customer trust is more important than ever – and can become a key differentiator as consumers tighten their purse strings and approach new products and investments warily.

FCA Compliance in Practice Across Financial Services

Let's take a closer look at Consumer Duty by considering three use cases where clear communication is essential to allow customers to make informed choices.

Lending Communications

To ensure positive lending experiences, banks need to make it easy for customers to understand the cost of credit. That means providing total transparency into interest rates, fees and penalties, and clear guidance on how to complete processes such as closing an account or paying off a loan. All customer communications must be consistent and accessible to facilitate informed decision making.

One roadblock to achieving streamlined lending transactions is disparate communication streams which limit visibility, introduce the chance of costly errors and increase compliance risks. Using a cloud-based communication platform that's integrated with core systems like CRM and other data sources is important for breaking down internal silos and ensures a single source of truth for a unified approach to agreements. By applying the directives of Consumer Duty, banks can offer customers clearer access to the capital they need.

Communicating About Investing Risks

FCA compliance with Consumer Duty also compels wealth management companies to improve transparency in how they communicate with investors; firms must disclose advisor incentives up front as well as potential risks. They need to make it easier to engage, for example enabling clients to complete risk assessment interviews over digital channels instead of blank fillable PDF or web forms.

Further, as clients increasingly expect advisor availability across multiple channels and time zones, organizations will need to adapt to deliver on Consumer Duty's customer support requirements. By embracing two-way, digital-first conversations, wealth management companies can steer clients toward gainful investments no matter where they are.

Insurance Interactions Made Easier

Consumer Duty will shift the pension and life insurance industry toward greater customer-centricity as firms are required to make their products easier to understand and use. In the realm of claims in particular, insurers will have to show urgency, empathy and proactiveness in the way they communicate. Digital-first technologies like AI, automation and omnichannel communication delivery can help bring policyholders the efficiency, speed and service consumers deserve.

Three Ways Smart Communications Can Help with FCA Compliance

Smart Communications can help your organization comply with Consumer Duty by simplifying and automating customer conversations across every channel.

First, our forms automation software enables you to turn static, paper- or PDF-based forms into dynamic, two-way digital conversations powered by data in your core system. By eliminating unnecessary questions and complex if/then statements, it's easier for customers to understand what they're signing up for. In addition, pulling customer data from connected systems reduces the effort required to fill out applications for loans, credit cards and other products, while also increasing accuracy. Forms automation also supports the need to deliver better digital and mobile self-service, so customers can stop and start processes on different devices for added convenience.

Next, our [SmartCOMM™ customer communications management \(CCM\) platform](#) enables you to centralize and manage all of their customer communications for greater visibility and transparency across every line of business. Using business rules, you can deliver across any channel, from digital to print, with just a single template. In addition, SmartCOMM provides an audit trail detailing when communications were changed, what was changed, and by whom, to enable reporting for the FCA or other regulators.

Finally, our [built-in content intelligence](#) capabilities mean that you can gain true insight into the effectiveness of both communications and forms processes. Understand where customers are getting stuck in an interview,

where questions or processes can be improved, and how to enhance customer communications across the lifecycle. With our Content Intelligence module you can evaluate the readability, sentiment and tone of communications to make sure they are both empathetic and effective.

Compliance with FCA Consumer Duty: An Opportunity in Disguise

While the FCA's Consumer Duty rules only apply to firms serving customers in the U.K., it's part of a global movement by regulators towards increasing consumer protections in financial services—one that's also being [advanced in the U.S.](#) No matter where in the world your business operates, it's time to improve customer communications and add transparency to product offerings. It's time to put customers first.

Given the constantly changing requirements in financial services, insurance and other highly regulated industries, compliance teams need the ability to manage and monitor changes to customer communications. Adopting an agile, cloud-based CCM platform alongside a forms automation solution [will allow firms to provide consumers](#) with clear, consistent, accessible information to make better decisions. That's good for the consumer, and the business.

Ready to discuss your compliance challenges and how Smart Communications can help you mitigate risk? [Let's Talk!](#)


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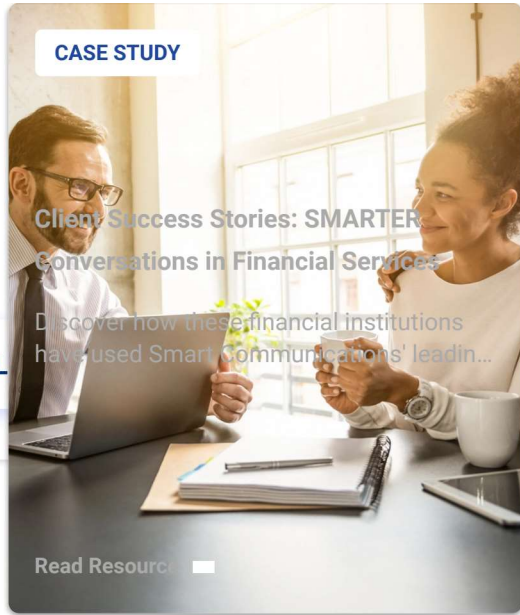


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