

Financial companies striving to meet higher standards under UK Consumer Duty, FCA says

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"There were good examples of how firms were implementing the framework," the financial regulator said. The new rules are set to come into effect on July 31, 2024.

The UK consumer duty sets a higher standard of care that companies must provide to consumers in retail financial markets and plays a key role in underpinning the regulator's expectations, the FCA said.

"Many firms had clear plans in place including suitable remediation, ownership, timelines for completion, budget and mitigation plans until identified gaps were resolved," the FCA said, cautioning that not all companies provided complete outputs of their analyses.

"Some only provided excerpts from the analysis or simply a statement saying they had not identified any harms, but no evidence to support the statement," the regulator added.

Frameworks developed with clear expectations and/or user guides could be applied across different products and services and used across the business, the regulator said in its review of the expectations and approaches taken by companies to assess and implement frameworks to meet the UK consumer duty standards.

"Firms used their reviews to identify areas of customer harm and/or the risk of potential harm," the FCA said.

On setting baseline standards of good customer outcomes, the FCA said setting baseline standards helped companies implement a consistent approach and identify gaps in processes, procedures and approaches to assess financial products against higher standards of the new consumer duty.

On the range of data used to support their assessments, the FCA said it found companies that used a range of data points rather than relying on a single source of insight in their reviews were better able to identify areas requiring improvement or remediation in line with the consumer duty.

"Firms need to be able to demonstrate they are delivering good outcomes to customers and make changes where this is not happening," the FCA said.

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Areas of Interest: Sector Regulation

Industries: Banking & Finance

Geographies: Europe, Northern Europe, United Kingdom