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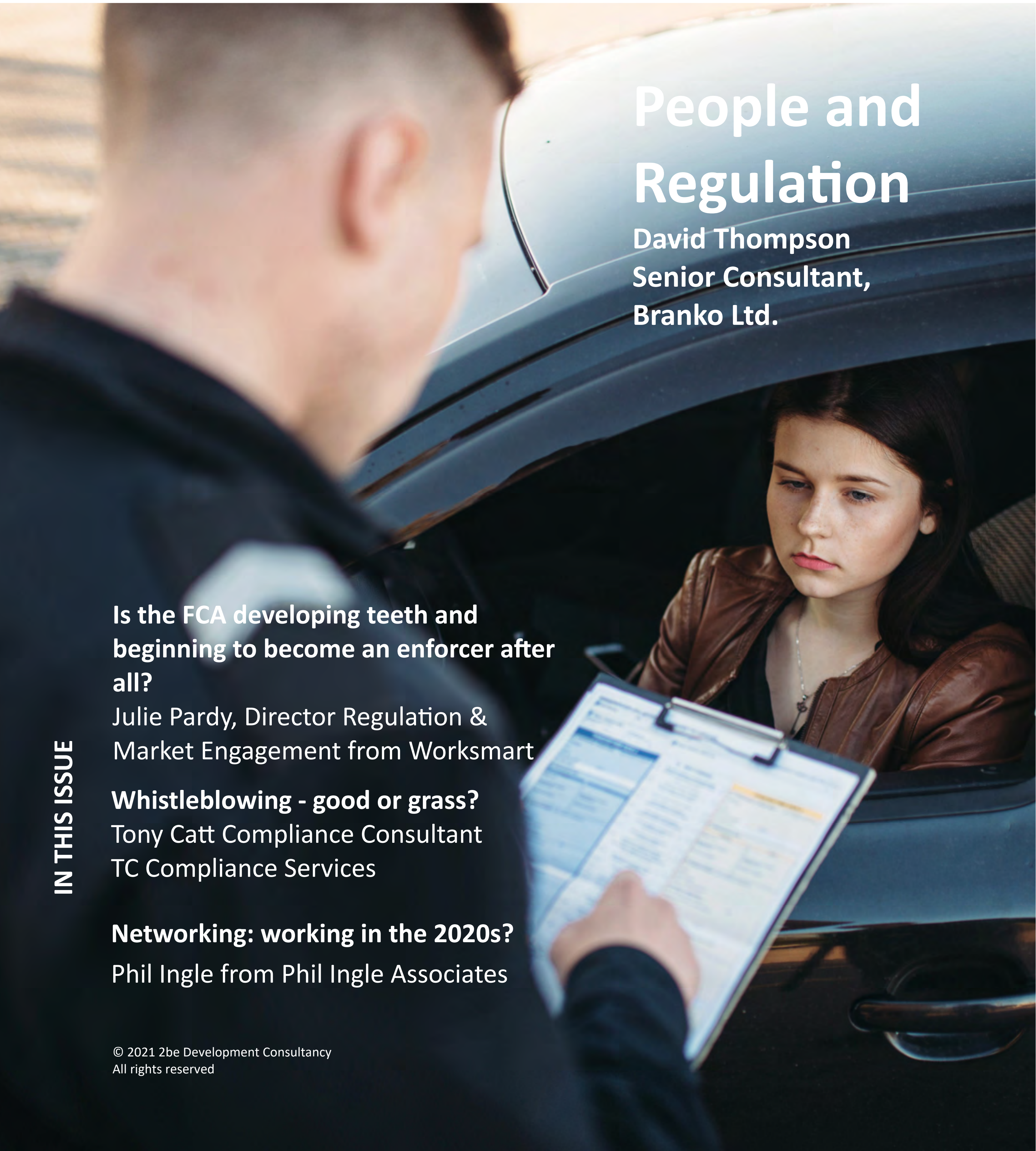
JULY 2021



People and Regulation

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Phil Ingle from Phil Ingle Associates

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T-CNEWS

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Welcome to the July edition of T-CNews. Thanks to our Sponsors; Worksmart, Elephants Don't Forget and 2be Development Consultancy we are able to bring you all our content for free. Sadly Covid Restrictions are still with us in the UK but hopefully (fingers crossed) we could see a close return to what was once normal shortly. Our articles again cover a wide range of topical issues to help keep you abreast of key developments within the industry. Please remember to spread the word to your colleagues about us so that they too can enjoy our content. Jeff Abbott

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Culture and what drives it and the role of L&D

By Adrian Harvey, CEO, Elephants Don't Forget

Let's get the elephant on the table - you can't TRAIN your way to a good culture. That statement gives you the immediate option not to read any further if you think I am so wrong you can't be bothered to read on. But think on that ... you are so certain you are right you won't listen to another POV!

And there lies the problem, particularly in the big banks. From the outside looking in these huge firms are rich and an employer of choice for many ambitious young and not so young folk. Land a job with one and of past performance IS a measure of future success - you are onto a winner and an income, often many times Joe Average.

They set the standard and have the reserves to weather almost any storm. And right now, a storm is brewing. The regulator, FCA, in its wisdom has, through its recent legislation SMCR, sought to make Senior Managers personally responsible for failures and malpractice that occurs "on their watch" so to speak.

This has been designed undoubtedly to encourage firms to do right by the customer. Treating Customers Fairly, should be a default culture in every bank and financial institution. And if it doesn't happen then, SMCR gives the regulator the ability to "track and trace" (to use a vogue expression) the perpetrator and punish them.

Trouble is, that since it became law there has only been 1 successful prosecution under SMCR and many in the industry believe, that whilst the intent was right the execution is flawed. One could of course conclude that prosecution data is evidence that the legislation has achieved its objective. One might be in a minority?

What drives the culture in any group is leadership. Say what you will, if the exec doesn't want to change it, then change rarely happens. Or it happens at a pace that would embarrass a racing snail!

Training. Case in point. Who believes that by subjecting employees to mindless one size fits all, annual, tick box compliance training is going to achieve anything ... positive in terms of cultural change? It isn't.

And whilst training cannot in itself change the culture of an organisation the methods adopted and deployed by firms in relation to regulatory training speak loudly as to actual *intent*.

Paying lip service to important Training & Competency of employees by way of largely useless and ineffective methods, designed to deliver a tick in the box for the lowest possible cost, speaks volumes as to the real culture of the business. We know to what I refer. Annual refresher training of the same old stuff, taking no account of actual individual knowledge or competency in any subject. Everyone in a given function or job family, gets the same. A short-term memory test concludes, competence, job done, box ticked.

"Leadership however determines whether in fact this knowledge and competency is allowed to be exercised. In this regard the shadow of the leader is everything.

Anthony Seldon in his book the 4th Education Revolution explores the role of AI in the true education of the populace. What AI enables us to do is to treat employees, every single one of them with respect and *guarantee* they at least know what they SHOULD be doing.

Leadership however determines whether in fact this knowledge and competency is allowed to be exercised. In this regard the shadow of the leader is everything.

Conduct Rules bit from the end of March and these are aimed at ensuring good and appropriate behaviour in our financial services sector. At some point FCA is going to point to systemic poor L&D practice as a rationale for deeper investigation of a firm. In poker I am told they call it a "tell" where a player inadvertently discloses the value of her/his hand through some sort of physical manifestation, or tick.

In the FinServ sector the "tick" maybe really obvious!

Whistleblowing - good or grass?

By Tony Catt Compliance Consultant TC Compliance Services

The FCA has recently been promoting the use of whistleblowing to root out poor practice and the resultant potential for bad customer outcomes. They have even produced posters to encourage the practice.

As part of the campaign, the FCA has published materials for firms to share with employees, as well as using its events to highlight the campaign.

It has also produced a digital toolkit for industry bodies, consumer groups and whistleblowing groups to encourage individuals to have confidence to step forward.

Whistleblowers that report to the FCA will have a dedicated case manager. They can meet with the FCA to discuss their concerns and can receive optional regular updates throughout the investigation. Every report the FCA receives is reviewed and the FCA will protect individual whistleblowers' identities.

The FCA has been investing in increased resourcing to support whistleblower interaction, including increasing the headcount on its whistleblowing team. This specialist team are trained to debrief and interact directly with whistleblowers, as well as liaising with various departments across the organisation.

The FCA would like to remind firms that culture and governance remain a key priority for the FCA. Its whistleblowing rules require firms to have effective arrangements in place for employees to raise concerns, and to guarantee these concerns are handled appropriately and confidentially.

The FCA introduced a requirement for firms to appoint a whistleblowers' champion to make sure there is senior management oversight over the integrity, independence and effectiveness of the firm's arrangements. These include those arrangements designed to protect whistleblowers from victimisation, as well as overseeing the preparation of an annual report to the firm's governing body.

The FCA page on whistleblowing is https://www.fca.org.uk/firms/whistleblowing

Before contacting the FCA, you should consider:

- raising your concerns internally at your firm (if you are confident doing so)
- speaking with the whistleblowing charity Protect
- taking time to understand more about the legal protections given to whistleblowers through the Public Interest Disclosure Act

The FCA Whistleblowing contact details:

- call dedicated team: 0207 066 9200
- email: whistle@fca.org.uk
- write to: Intelligence Department (Ref PIDA) Financial Conduct Authority, 12 Endeavour Square, London, E20 1JN

The main problem is the system is that whistleblowing is despised by many people on the basis of "nobody likes/trusts a grass" from the playgrounds.

> “Unfortunately, this attitude still prevails within the adult world of business with the victimisation of whistleblowers.

However, this would mainly by the perpetrators of misdemeanours who then proceed to punish the “tale-tellers”. Unfortunately, this attitude still prevails within the adult world of business with the victimisation of whistleblowers.

The well-meaning, often public-spirited, activity of whistleblowing about bad practice is much more difficult to execute than it should be. The whistleblower is in constant fear of reprisal, which could take many forms. The chances are that the activities being reported are being practiced by line management or senior management of an organisation. It is a brave employee who criticises or even questions their managers and senior people, particularly if the accusations are accurate.

I am sure that if there were statistics in this area, they would prove that whistleblowing can only be undertaken by somebody who has left, or is leaving, an organisation for fear of unfair detriment that may occur when the management of the organisation becomes aware that someone has whistleblown.

Personally, I have formally whistleblown twice.

The first time was with a firm that had several elements of poor practice for whom I was undertaking compliance oversight. I picked up a case that involved so many “no-noes” that it would have made a wonderful test case of how much bad practice could be undertaken in one case – early retirement from a DB Scheme– losing benefits, early-encashment of endowments, churning of investments, not utilising existing deposits to negate the need for any of these actions. The Director could not believe that I was questioning his advice – Who do you think you are? It is my name over the door!” So, I felt that I had no alternative but to leave the firm and report it to the FCA. The firm ceased to exist going under the banner of another firm.

The second time, I was overseeing another firm that was charging for reviews and not actually doing anything for their money. Again, this was raised with the owner of the firm and he said that he did not undertake the reviews because he did not have time. There were several other shortcomings in their processes. Since I felt that I could not offer my services to them anymore, I outlined al the shortcomings that I saw in my letter of termination of our contract. I copied in whistle@fac.org.uk to this letter.

Interestingly, my manner of whistleblowing caused a bit of a short-circuit at the FCA. The agent that I spoke with had a problem that my whistleblowing was overt and not anonymous and would need a separate process from the one that was normally followed.

I was advised that the FCA had undertaken an investigation into the firm. I do not know the outcome of that investigation.

So, to draw a conclusion with my experience, whistleblowing does get investigated once the FCA is satisfied that it is not a frivolous or vindictive report.

The perpetrators are normally very upset that their poor practice has been revealed and are likely to react negatively.

However, I work on the basis – who is worse, the perpetrator or the witness who could have done something to stop bad practice, but did nothing and allowed it to happen/recur?

Whistleblowing is not for the feint hearted.

Is the FCA developing teeth and beginning to become an enforcer after all?

By Julie Pardy, Director Regulation & Market Engagement from Worksmart Limited

SM&CR has been part of the regulatory landscape for dual-regulated firms since 2016 and solo-regulated firms since 2019. A major part of the regime is about the accountability of senior managers, with the threat of personal sanction from the regulator or, in the worst cases even criminal sanction (for certain firm types). So, if SM&CR was designed to hold the financial services industry to account, what has been the result?

In October last year, the consultancy Bovill used a Freedom Of Information (FOI) request to ask the FCA questions about their enforcement activity. Their request showed that from March 2016 to September 2020, the FCA opened 34 investigations. Of these, 11 were closed without action and only 1 resulted in a fine. At the time of the request, the remainder were still under investigation. Bovill's CEO, Ben Blackett Ord, said; "*We don't believe that the low number of enforcements is a sign that SMCR has been an effective deterrent for Senior Managers, since the cases closed without action to enforcement ratio is high*". He went on to say that enforcement investigations often taking between two to three years to conclude was painfully slow and that the longer these investigations took, the less effective they were at holding people to account.

The questions raised by the Bovill FOI request is supported by evidence from three major financial scandals, overseen by the FCA namely: the HBOS 'systemic and widespread/ mistreatment of small and medium sized firms between 2008-13, the role of the FCA in the oversight and suspension of the Woodford Equity Income Fund and, most recently, the failures of the FCA's investigation department into the London Capital & Finance fund (LC&F).

Combined, these amount to a significant 'charge sheet' against the FCA and begs the legitimate question; exactly how credible is the FCA as a deterrent against malpractice? Certainly, Tory MP Kevin Hollinrake, who co-chairs the All-Party Parliamentary Group on Fair Business Banking, has his doubts. He recently said: *"In terms of identifying and chasing down really egregious behaviour, they have an appalling track record, even when stuff is presented on a plate in front of them as it was with LC&F, Woodford and HBOS Reading".*

So where does this leave with FCA and its flagship SM&CR regulation?

Whilst this may appear bleak, there are some counter indicators that point out that the FCA is moving forwards towards better control of the industry. Let me suggest three:

Skilled Persons Reviews

Skilled Persons Reviews, commonly known as S166's, are commissioned by the FCA when it suspects a firm is breaching its duty of care to customers, market competition or both. When initiating a S166, the FCA, or the firm (depending of the complexity of the review) instructs the 'skilled person', i.e. an approved organisation with proven regulatory expertise, to focus their investigation on a particular area (known as a Lot) of the firm's business practices.

Historically, S166 Lots have been dominated by Financial Crime, Management of Client Assets and to a lesser extent, Controls and Management of Risk. However, in recent years, the balance of S166 investigations is shifting, see below:

Skilled Persons Reviews Commissioned

	2020-21	2019-20	2018-19	2017-18
Focus (Lots) Of Investigations				
Controls and Risk Mgt.	22	13	7	3
Conduct of Business	17	15	5	10
Governance and Individual Acc.	7	5	1	0
Financial Crime	17	16	14	11
Total Reviews	68	59	34	29

(NB – Lots with highest incidence shown)

These statistics indicate that the FCA is now focusing on Conduct of Business and Governance and Individual Accountability as well as Controls and Management Of Risk. Interesting!

Looking at the FCA's annual KPI reports, it is possible to investigate this statistic, see below:

Approved Person - Withdrawn Applications				
	2020-21	2019-20	2018-19	2017-18
Applications	60134	68727	68477	60909
Withdrawals	1324	906	910	688
% Withdrawn	0.022	0.013	0.013	0.011

> "Whilst this may appear bleak, there are some counter indicators that point out that the FCA is moving forwards towards better control of the industry.

Of course, this table needs to be treated with caution, i.e. the withdrawn numbers are very low, it is unclear what the number of withdrawn cases that are successfully resubmitted and finally that 2020-21 may be a 'blip' in the annual average. However, when put alongside the other indicators, it may well indicate increasing standards by the FCA or a desire not to compromise their existing standards.

New Leadership

The final area of potential indicators that the FCA is becoming more interventionist at managing standards in the industry lays with the FCA itself.

Last year, Andrew Bailey was replaced at the FCA by Nikhil Rathi with a brief to shake up the organisation. Indeed, the recommendations in the Treasury Select Committee's newly published report into the collapse of LC&F lists a series of recommendations that the FCA needs to undertake to transform its culture and practices and, in turn, its supervision of the industry.

Much is expected of Rathi. As one senior bank executive recently said, "*Rathi is a class act, smart and very well versed in navigating Whitehall*." However, whilst the challenges are large, he does bring the hope of change inside the FCA and early signs are encouraging, e.g. review of the current supervisory structure, a focus on big data and the use of data analytics within the regulator to help identify potential risks before they crystallise[1].

As I conclude this article, the old phrase 'one swallow does not make a summer' comes to mind. However, in my view, there are a number of indications that the FCA is beginning to become the enforcer of regulatory standards that we have all expected, indeed the industry needs. Let's hope we see more swallows soon!

1. Worksmart's RegTech solutions such as dedicated our SM&CR, complaints, QA and T&C systems, are key to ensuring that the underlying processes that ensure compliance are in place, so ensuring no contra-indicators are picked up by the FCA.

"Worksmart has been key to ensuring that we have met the requirements of the rules"

Lisa Nowell, Chief Risk Officer, Masthaven Bank

Contact our experienced SM&CR implementation team via email at; **info@worksmart.co.uk**
or call us on; **01908 613613**
Visit; **www.worksmart.co.uk** for more information

accord

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"The basic principle of the Senior Managers Regime is that of responsibility and accountability. A senior manager has to take responsibility for the activities under their control. Likewise, they should be accountable for that responsibility"

Andrew Bailey, CEO - FCA, 2018

Everyone's in the front seat now – 8 strategies to present online on camera

The 8 vital aspects of presenting to a camera lens compared with presenting live face to face

In just under 1,000 words, Paul Archer from Archer Training takes you through 8 essential strategies to ensure your online presenting is upgraded, improved and future-proofed.

> "Today's intention is not to get audience interaction or engagement; that's a noble objective, but not for today.

The 8 Strategies

I remember presenting to 750 people in an auditorium in Iran. I always wonder how the people at the back saw me or knew what was going on? But that was back in the day when I spoke with large audiences, live. And I loved every minute.

The world has moved on. We now present to the camera. And everyone's in the front seat since they are watching you on their screen – they're in the front seat now and can see every nuance of you and your talk.

That's changed the rules. Here are the new rules:

You can't see them anymore

All you see is the lens of the camera, not the audience faces. For a seasoned presenter, this can be very problematic and off-putting. Not having feedback is not good.

You have to get over it and assume the audience is with you, enjoying your session and gaining value. Believe they're there, a metre from you, in the front seat, watching your every move, each facial expression and hanging on every word.

You can't look around anymore

You have to gaze into the lens of the camera. Now we need to visit the news anchorwoman. She's reading the news to you and very rarely takes her eyes off of you; in other words, she's constantly looking into the camera lens.

Even her autocue ensures she never loses eye contact with you; it's positioned just below the lens. The only time she looks away is when the show ends, and she rustles the papers in front of her looking down. There's a reason why she does this; we should copy her mannerisms.

Accentuate your voice.

Not by being louder; you have a professional microphone attached, so no need. Instead, train your vocal cords to spill out a more resonant voice, more profound, more warmth and more depth. I know everyone has varying vocal cords and alternative voice boxes, but a deeper, more resonant voice is more attractive to the listener's ear, whether male or female.

Make sure you have a decent mic to allow this. I use a professional Sennheiser lapel mic that will enable me to move freely on my "stage".

Talk to one person, not a crowd.
I recall my large audiences; you address them as a group. "How are you all today" "Can we see a raise of hands for this…?" No longer with online keynotes presentations. You are addressing an individual in the front row, in their home, on their dining room table, in their office, literally just 1 metre from you. So talk to them as an individual. "How are you today?" "If you can imagine this", "Do you buy petrol or diesel?". Not "Hands aloft for those diesel owners?"
Don't expect or desire feedback
This is the most challenging for any speaker, presenter or orator who doesn't usually present to a camera. You don't know what your audience is thinking, whether anyone is interested or engaged. Of course, you can run break out sessions or use the chat to get their feedback, but this changes the whole dynamics of your presentation.
Today's intention is not to get audience interaction or engagement; that's a noble objective, but not for today. You want people to listen, take in your message, move their thinking, change their views, educate them – whilst they sit at home on their sofa with their laptop.
The best analogy is a comedy show on TV. I love sitcoms, comedy shows, "The Fast Show", "Harry Enfield and Chums". I watch them on my own, often, love the clips, the scenes. I laugh to myself, inside chuckle and enjoy the 30 minutes or at the most 45 minutes. That's what you want to achieve with your audience. It's a show.
Practise a whole lot more.
And get the session well-rehearsed, tight and structured. Fluid, yes, but you need to know where you're going and move swiftly from one point to another. You'll have no thinking time or be able to adlib or react to the audience. That doesn't happen because you can't see them or engage them in an activity or a "Speak to your neighbour for 2 minutes".
No, you need to be practised, rehearsed and polished. No pauses, no thinking; your notes need to be sharp and close to the lens. Autocue, maybe, but I wouldn't recommend it: instead, bulleted notes and a well-rehearsed session.
Your visuals need to go up a notch
As before, recall the TV newsreader. She'll have visuals to enhance her presentation, but she won't use them all the time. Mostly she's talking to the camera, bringing in visuals when needed. Maybe a video clip or an outside correspondent or some animated PowerPoint type graphics.
Very professional. Their graphics are embedded with their image, not instead of, they lay to their side, and you should investigate how to do this yourself.
Get to know a new app – Mmhmm, OBS, Logitech Capture, eCamm or Vmix. However, you migrate and improve, please don't revert to speaker behind a PowerPoint deck using shared screens. That's been the leading cause of Zoom Anxiety.
Finally, signpost, signpost, signpost
The News on TV does it so well, and we need to replicate it. Your audience will be hanging onto your words, so let them know where you're going, what snippets of excitement you have coming up, what you're going to cover next, the significant benefits and take-aways.
Summary
Have fun, enjoy presenting to a camera lens. Let go, be yourself, share your content, your stories and your comedy. Have a solid structure and practice well beforehand, trust in your ability to engage an audience possibly many thousands of miles away on their laptops but, of course, in the front row.

Paul can be contacted at paul@paularcher.com for any sales or business development consulting or training you may want to bring in house. His YouTube Channel is at www.paularcher.tv and he would love you to link in with him at www.paularcher.uk -

High performing supervisors – what does it take?

By Lynne Hargreaves from Clearstep Consulting

Continuing with the theme of Training and Competence (TC) excellence, my previous blog highlighted a key component of success was the necessity to have supervisors with the skills to coach, assess and support individuals.

I learnt my supervision 'trade' in the 1990's supervising a geographically spread team. This was then followed by a move into Learning and Development (L&D) where I facilitated lots of Supervisor and Management Development programmes.

Leading teams and supporting the development of individuals was the most rewarding part of my corporate career - spending time with an individual, understanding their strengths and development needs and agreeing the next steps to support their growth.

The Financial Conduct Authorities (FCA) rules and guidance requires staff who are carrying out activities covered by the TC Sourcebook to be supervised by individuals with the appropriate **technical knowledge** and the **necessary coaching and assessment skills to act as a competent supervisor.** Individuals also need to demonstrate how this **competence** is being **maintained.**

The Senior Manager and Certification Regimes (SM&CR) also place an onus on those carrying out fitness and propriety (F&P) checks to be able to 'certify' competence and capability, putting a premium on an individual's ability to assess and develop skills.

Firms are obliged to ensure that staff understand their responsibilities and are competent to carry out these assessments against clear standards, building a portfolio of evidential findings.

Whether you call them supervisors, line managers, team leaders and/or whether they are governed by the TC Sourcebook, I believe investment in this population is key in developing skilled and effective teams who can deliver fantastic customer outcomes.

So, what does it take to develop competent, high performing supervisors?

In-depth technical knowledge

Individuals need the required knowledge to effectively undertake their responsibilities. Firstly, you need to determine the knowledge requirements for the role and then decide how you are going to impart, assess and evidence this knowledge both initially and ongoing.

The TC Sourcebook provides guidance and rules on whether an appropriate qualification is required and/or should be considered for those supervising individuals who are not competent.

Firm specific knowledge on applicable policy, product, process and systems is also important. Not only the knowledge pertaining to the products and services but also the wider people policies. You need to be confident in the individual's understanding around your firm's recruitment, performance and employment practices and how these dovetail with the approach to T&C and Certification.

I also urge firms to consider supporting the attainment of a relevant 'Supervision' qualification. I took the Chartered Insurance Institutes 'H15 Supervision and Sales Management'

18 years ago and it provided a great foundation knowledge of TC, leadership, and behavioural models. It also encompassed everything from how to recruit, train, coach, motivate and manage, including disciplinary and the laws relating to employment. All relevant stuff for those involved in people management.

Evidencing the maintenance of knowledge is one of the bigger challenge's firms face; are once a year, point in time e-learning tests really demonstrating on-going technical knowledge?

A comprehensive range of demonstrable valuable skills

The skills of a supervisor are crucial in the consistent and effective assessment of the teams they lead. The ability to identify and tailor solutions which reflect learning styles and identified competence gaps is not something which is created overnight.

As with knowledge you need to determine the specific skills you require your supervisors to apply on a regular basis. For most firms these will include observation, feedback, coaching and analysis skills. Others may include the skills to hold effective one-to-ones, identify training needs and devise SMART development plans.

Next is the definition of the accompanying standards. What does 'good look like' in relation to coaching and feedback, what is required to be documented following a one-to-one? What is not acceptable? It is the definition of these standards that provides the benchmark from which training objectives are agreed and validation assessments are designed. It is also the step which some firms struggle with, not necessarily having the experience to determine what can be subjective practices. However, once these standards are defined they support greater assessment objectivity and consistency of approach.

Supervisors then need to be supported via more formal training interventions which aim to equip them with the skills to conduct their role activities and assess their initial competence. The learning is then continued via their on-the-job experience and relationships with others.

In a recent webinar I co-hosted with Adrian Harvey, CEO, Elephants Don't Forget, 38% of participants polled stated they were only somewhat confident or not confident at all that their managers could demonstrate a consistent approach to TC. Perhaps this is an area for evaluation and improvement in 2021 for your firm? Look at the FCAs positive and negative indicators for the assessment of F&P https://tinyurl.com/yp8yeh5v and gauge your performance.

Supervisors and line managers are absolutely key to the people experience. So why is it that firms sometimes scrimp on this area? The leadership and culture of a firm is reflected in their approach to TC; how would you rate your approach?

Now I'd like to hear from you:

What do you think it takes to develop high performing supervisors? Maybe I didn't touch on one of your principal strategies? Do you agree that the approach to TC and investment in people is reflective of firm culture?

Either way, please let me know.

"38% of participants polled stated they were only somewhat confident or not confident at all that their managers could demonstrate a consistent approach to TC

About the Author

Lynne Hargreaves is Director at ClearStep Consulting.

ClearStep specialises in the interpretation of FCA regulations and the impacts on people. This includes the design and development of TC frameworks, competence training and assessment and consultancy support for the Certification Regime and Code of Conduct.

Outcomes-focused regulation ‘consumer duty’

Nick Baxter from Baxters Business Consultants

“But clearly the FCA believes that these developments have not driven firms to a place where further intervention is not required.

By the time firms read this article, there will be roughly one month left to respond to the FCA CP 21-13. All regulated firms, providing products and services to retail clients should respond as the paper is a ‘watershed’ moment for outcomes focused regulation. Ever since the FCA took over from the FSA we have seen a constant ratcheting up of requirement for firms to deliver better consumer outcomes and all initiatives focus on the needs of the consumer. Many consumerists hope that the ‘Consumer Duty’ requirements in the new proposals will ‘game change’ consumers relationships with firms.

Let’s not forget of the 11 Statements of Principle, 9 of them relate to outcomes. Further TCF provides 6 customer outcomes, all designed to ensure the fair treatment of customers. The Senior Manager and Certification Regime requires managers and individuals to take greater responsibility and accountability with the objective of reducing harm to consumers and strengthen market integrity.

But clearly the FCA believes that these developments have not driven firms to a place where further intervention is not required. As the FCA says in the CP, *“consumers don’t always get the products and services that meet their needs or the outcomes they might reasonably expect”, “Consumers’ ability to make good decisions can be impaired by various factors. These include their weaker bargaining position, asymmetries of information, lack of understanding or behavioural biases”* and *“firms may not always compete effectively to drive up quality and bring down costs in consumers’ favour.”* My involvement with FSA/FCA regulation goes back to M-Day (2004) and these matters were ‘on the table’ then. It is not surprising then, that critics suggest this CP is a decade too late. None of this is new, I recall a book from the 1980’s with the catchy title, *“Asymmetric Information, Bank Lending and Implicit Contracts: A Stylized Model of Customer Relationships”.* Even earlier information asymmetry was a classic cause of unfair outcomes identified in the 1974 Consumer Credit Act, but the harm caused by “*asymmetries of information”* is still a regulatory focus.

The four proposed outcomes cover the key elements of a firm/ customer relationship and focus on communications, products and services, customer service and price and value.

•In respect of communications the FCA wants firms to communicate in a way that enables consumers to make informed decisions. It wants consumers to receive the information they need, at the right time, and in a way that the consumer can understand. I would be worried if firms are not already doing this, but a refocus on ‘outcomes’ is now required.

•A strengthened ‘fit for purpose’ requirement in respect of products and services will see a strengthening of the Product Sourcebook (PROD).

•Complying with the new customer service requirement may be a challenge for some firms. Some firms will simply need a new mind set others will be required to make a significant cultural shift. The FCA sentence, “it should be at least as easy to exit a product or service as it is to purchase it in the first place” sends a clear expectation message to firms.

•The price and value outcome is the one that has received most press coverage. While stopping short of consulting on new market interventions, such as price caps or other price interventions there is a clear warning that such moves could be considered if firms fail to give greater consideration to the price and the role it plays in relation to the fair value of products and services.

So there is a lot to digest in a month, https://www.fca.org.uk/publication/consultation/cp21-13.pdf, but it is a ‘must read document. Even if firms have no intention of responding to the CP, the earlier firms can plan any structural systems and procedural changes the better they will adapt to the new consumer duty.

Nick Baxter is a Partner with Baxters Business Consultants. Baxters Business Consultants is a business consultancy offering training, marketing and expert witness services within the lending industry

Why is training and competence still the poor relation?

By Jane Pitt from RedTree Training

The Senior Manager and Certification Regime is yesterday's news; Senior Managers now duly complete their Annual Certifications and follow their road maps of responsibilities. When the Regime was introduced, many had training that typically included the importance of establishing and embedding the right culture and governance to improve the standard of conduct within their area of responsibility. As a result, for a while, it felt like everyone was on board with the importance of training and competence in creating the right company culture and the role a well-structured T&C Scheme plays in providing a good company governance structure. But five years on, it feels like whilst the Conduct Rules remain in focus, the importance of training and competence seems to have fallen to the wayside.

Some may have even found this publication as part of that new found interest in T&C. Whilst I can accept that not everyone will share my passion, training and competence is far too important for it to be treated like the poor relation, constantly having to justify its importance and fighting for attention. So, in an era where every cost must have a benefit, how do we make sure training and competence continues to take centre stage? I've come up with few common challenges; some heard more recently than others and some more frequently than others, along with my typical responses. They may not win over every reluctant stakeholder, but they may help to guide the focus back in T&C's direction so feel free to cut and paste where needed.

1. We don't need a T&C Scheme as our activities are not regulated.

Whilst it is true that there is no regulatory requirement to have a T&C Scheme (TC2.1.14), the competent employee rule (SYSC5.1), which covers ALL employees, irrespective of whether they are conducting a regulated activity or not says that firms 'must employ personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them…'. So irrespective of a colleague's activities, to meet the competent employee rule, a firm will need some means of assessing and demonstrating an employee's competence, including how they achieve 'a good standard of ethical behaviour'. Ultimately, most firms opt for some form of T&C Scheme as it allows them to demonstrate how their systems and controls enable them to satisfy themselves of the suitability of anyone who acts for it.

2. T&C is just box ticking for the sake of it.

It was…once…I agree. Back in the PIA days, it was 'do three of these' and 'two of those' and you were competent. Things have thankfully moved on and most Schemes now talk of minimal numbers to encourage the behaviour of responsibility and accountability. If one observation of a skill is good enough to demonstrate competence, it's enough - as long as you have other means of checking outcomes and monitoring a colleague's activities. And in addition, the supervisor has the skills to back up their decision including demonstrating their ability to monitor, identify and act on other information that may indicate a colleague's competence, or not.

3. We have all of this activity already; a T&C Scheme will just be duplicating it.

A T&C Scheme doesn't have to reinvent the wheel, it can 'wrap its arms around' other existing activities. A common perception to overcome when you start talking about Schemes is how much additional effort it will take. If you demonstrate how you are not looking to increase the workload but more embrace existing activities and make their life easier by bringing it all under one regime, you are half way there before you've even started.

If you prefer to go with the proverb that 'attack is the best form of defence' then you could also try flipping the approach so that you ask the questions rather than provide the answers. I find that the three questions listed below have the greatest impact, especially if the challenger can't provide an answer and you can then follow up with 'a T&C Scheme can do this for you'.

1. How do you demonstrate a fair and consistent approach to a colleague's development?

2. How do you ensure that colleagues have a regular opportunity to share concerns and feedback on issues that may be occurring in their daily activities?

3. How do you drive the company's culture and preferred behaviours?

With Training and Competence remaining a firm focus of the FCA, it's time to raise T&C's profile again. Adhoc discussions are starting to occur as we start to move forward post the challenges of COVID19 and whilst both lists are certainly not exhaustive, they may just help when you are caught out by one of those unexpected conversations.

FG21/3: The future of retirement advice?

John Reynolds
Expert Pensions

"It is old school: treat others the way you'd want to be treated yourself. Call out the best value."

In March 2021, the FCA issued FG21/3: guidance on advising pension transfers.
You may note that the title did not say, final guidance on defined benefit pension transfers.
It says guidance on pension transfers, and I think there is a hint to the future in that title.
Just as important, the FCA also issued notice of a consultation CP21/13 in May 2021 - and that makes interesting reading:
" Many firms are already delivering the right outcomes for consumers, but we want all firms to put themselves in the shoes of consumers and get it right the first time, asking themselves, "Would I be happy to be treated in the way I treat my customers?".
We want an environment where good firms can thrive and consumers are able to make good decisions to pursue their financial needs. This requires firms to provide information consumers can understand, products and services that are fit for purpose and offer fair value, and customer service that helps not hinders.
Both these papers are seminal papers from the FCA: our profession continues to evolve with the help of the FCA.
Both these papers highlight very clearly the direction of travel and expectations of firms (and their people) by the FCA.
Both these papers will shake and shape the business over the next 10 years….
Let me start with FG21/3...
And let's start with defined benefit transfers (but, while you are reading this, I want you to imagine this applies to ALL retirement advice) and a typical advice process for defined benefit transfers:

a. Initial meeting
b. Online education and triage videos and quiz

Online, educational, unbiased informed decision to seek advice

c. Explanation of process and non-contingent fees/ToB/ client agreement
d. KYC

Colour and detail of objectives and KYC: MIGs and will be a cause for unsuitability

e. Attitude to transfer risk, tolerance and affordability

Risk assessment is holistic, includes appetite, tolerance and affordability

All of the above = abridged advice

f. Cashflow modelling and establishing most suitable plan for the client
g. Comparative/appropriate analysis/TVC

Be a critical friend: Critical analysis of the comparative positions…

h. Investment options vs WPS

All (a)-(g) = full advice
I have chosen my words carefully in these descriptions -
Now, have you had a look at CP 21/13 yet?
Read the words from the FCA: " "Would I be happy to be treated in the way I treat my customers?".
This is the minimum standard going forward.
It is old school: treat others the way you'd want to be treated yourself. Call out the best value. Call out the best option and act in the best interests of your clients.

The FCA's transformational program: ''Duty of care''

1. Cost/fees [Price/value: VFM];
2. Performance and risk; and
3. Service package

FG21/3 might be focused on DB TV, but it should be read in parallel with CP21/13, both are aimed at those who truly are looking for a win-win solution for clients.
I would go so far as to say that this is a re-statement of the fiduciary responsibility of regulated and authorised financial planning advisers in the UK, regulated under the current regime: the role of a financial planning adviser is a critical role in people's lives. Getting the right advice can make a huge positive difference to their well-being.

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The FCA want us all to deliver ''good products and services at fair prices, supported by high standards of customer service and clear communications''....and with that ''clearer and higher standards for the culture of firms and the conduct we expect of them''.

That could easily be a summary of the guidance in FG21/3: the FG21/3 outlines the highest standards expected, which is further expanded by CP21/13.

If I were to summarise the CP21/13 paper, it would encompass three things:

a. The duty of care that a firm has to it's clients: it's a fuditial care. Would you sign-up to the cost/service proposition you are offering?

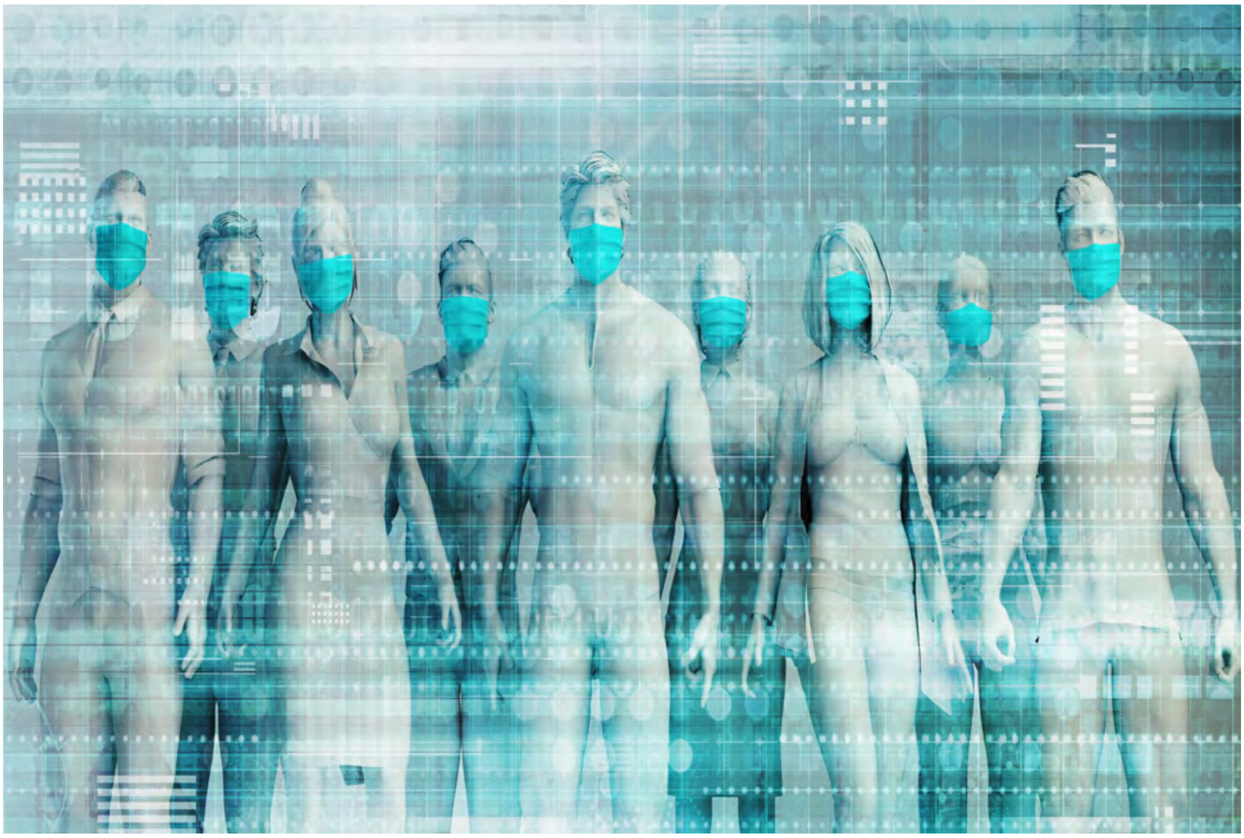
b. Offer a service which clearly describes how you meet the four outcomes described in CP21/13: are you able to evidence your proposition against the four key outcomes?

These papers are a must read as our profession continues to evolve with the help of the FCA.

For further guidance on PTS processes and Triage services please visit our website hello@expertpensions.co.uk

People and Regulation

By David Thompson FCIS, CertCII. Senior Consultant, Branko Ltd.



Despite financial services regulation being in place for many years, why do we still have regular examples of those rules not being followed? And it's not just the Handbook rules that the PRA or FCA are interested in. Non-financial misconduct, which focuses more on ethical and expected behaviours, is climbing up the agenda, too. Some high-profile examples from Lloyd's show that the expected behaviours were clear but not everyone lived up to those expectations.
Results from whistleblower helplines indicate that most calls report poor behaviours within the organisation, often incidents of bullying, harassment or discrimination.
Why can this be happening when such incidents are almost certainly in breach of company policies?
In many cases this would be summed up as 'How I actually behave vs expectations of how I'm supposed to behave'.
Do we then simply keep adding more and more rules to try and prevent bad behaviour? The FCA handbook already runs to nearly 9000 pages – surely more rules can't be the answer?
It is noticeable that there has been a gradual increase in focus of the FCA approach to culture and conduct.
Looking at recent speeches on behalf of the FCA, there are usually references to culture and/or purposeful leadership (e.g. Jonathan Davidson 26th Nov. 2020) and it is possible that the FCA will instigate more intrusive conversations with firms on their culture later this year.
Under the Senior Managers and Certification Regime (SM&CR), the leaders of our firms are charged with the responsibility to set the tone of the organisation. They issued by the FCA will testify but firms can use the examples contained in these Notices to educate their teams on what is expected and ensure that the problems in the firms that were censured are not replicated in their own firm.
At the start of 2020 a Dear CEO letter was issued for wholesale general insurance firms referring to non-financial misconduct and the expectation that CEOs should be proactively tackling such issues. It went on to set out that, whilst principles and rules can help shape a firm's culture, it is down to all those who work in financial services to embrace the substance of what the FCA are trying to achieve.
The four key drivers of culture were listed as:
- leadership;
- purpose;
- approach to rewarding and managing people; and
- governance systems and controls.

Another letter at the start of September 2020 to personal and commercial lines insurance intermediaries indicated that new FCA supervisory strategies for different portfolios would allow them to monitor all firms effectively, and target those firms that pose the greatest risk of harm. Where the FCA conclude that firms, and/or individuals are not meeting their expectations, they will act.
The FCA see the three key drivers of harm as being:
- ineffective governance and oversight of the business;
- incentive arrangements that do not support a positive conduct culture; and - business models which provide poor control over sales and renewals and conflicts of

“ whilst culture has a large role to play, it isn’t the only factor and must be backed up by appropriate behaviours

However, perhaps as a reflection of FCA frustration at a perceived lack of action, this has now been strengthened with the recent consultation CP21/13: A New Consumer Duty, which proposes to expand the existing rules to ensure firms provide a "higher level of consumer protection consistently, which will enable consumers to get good outcomes".

The paper explains the areas of consumer harm the financial advice sector should address, and the new rules the FCA believes should do just that.

All of this puts a lot of pressure, focus and responsibility on senior managers. How should they best respond?

We talk about the culture of organisations but this, in itself, may not be enough to stop the bad behaviour. Why don’t rules and culture always prevent the problems?

I’d propose that, whilst culture has a large role to play, it isn’t the only factor and must be backed up by appropriate behaviours. The big banks spring to mind. Aggressive sales cultures in branches were still evident after executives were telling the FCA that these cultures had been stamped out. This is where the FCA talk about the ‘permafrost’ layer of middle management who continue with the old regime despite the ‘tone from the top’. Here, the firm must be determined to change staff behaviours and make sure this happens with executives remaining visible throughout the business.

It would be difficult for leaders to do all this on their own. They need to engender a culture where everyone takes responsibility for compliance. Everyone in the firm must live the correct culture.

This can make a huge difference to spotting errors early in any process and taking steps to remedy them and prevent them happening in future.

Culture is important in determining the success of a business and a firm’s culture is mostly a reflection of the character of its leader. In short, a good boss breeds good culture.

A purposeful leadership of the firm, with quality staff understanding their responsibilities under the Conduct Rules will go a long way to addressing issues. These staff would be expected to consistently do the right thing for the customer, even when no-one was looking.

One view might be to adopt the Branson way. The HR Digest stated that “Richard Branson’s corporate philosophy is that ‘People are our greatest asset’. ‘Clients Do Not Come First. Employees Come First.’ His opinion is that employees should be given top-priority, creating a family-like culture in all of his companies where people set their own standards and rewards, are eager to learn and know how to adapt. They go to great lengths to change the mindset of people who aren’t committed to the organisation to achieve common goals.” Branson sees the wonders that engaged employees can make in an organisation.

It’s clear that the success of many firms in integrating changes to regulation and customer expectations over recent years is supported by their people.

And to achieve this there needs to be openness, visibility of senior management, trust, a customer-centric culture, genuine care of staff and now, control of remote working. We also need to provide a ‘speak up’ environment where people feel comfortable in challenging senior management when they believe something is wrong. Quality MI should not be ignored to ensure good outcomes and to spot poor conduct.

I think T&C can be a differentiator for many firms. If quality T&C is in place, staff will be less likely to leave as they will experience personal development. They will see that the firm cares about spending on training to ensure staff understand why certain things have to be done and they will then be less likely to make errors.

I've seen examples of staff who have moved firms 'because the grass is greener', only to return shortly afterwards when they've realised how poorly their new firm deals with T&C.

How do we help people review culture? It will depend on the level of the individual within the firm but here are ten to start:

1. When was the last time the Board had a discussion about the culture of the firm? Are ethical issues discussed openly throughout the company, constantly reminding employees that good behaviours are essential?
2. How are the company's values relating to diversity and inclusion explained, including neurodiversity? The FCA will increase its focus on this in the coming months.
3. How do we ensure that the positive culture led by senior management is alive and working well within other levels of the firm (e.g. middle management)? Is the tone from the top delivering a clear message and is the leader setting the right example by their own conduct?
4. How often does the senior team engage with other employees within the business? And improve engagement between teams / silos / business functions?
5. How does the firm promote psychological safety? What do staff understand by this? How easy is it for them to highlight concerns relating to conduct risk to the senior team?
6. Is there adequate training in place that is relevant to, and understood by, those being trained?
7. Is there a strong disciplinary process in place where those who demonstrate bad behaviour will be sanctioned? Is bad behaviour and its consequences openly communicated to the staff?
8. How are employees remunerated? Does this fit with company stated values and purpose, including a qualitative assessment of customer care?
9. Do we undertake employee exit interviews – or have a chat with them about their experience working at the firm?
10. Recruitment - Do we consider 'social fit'? If so, do we only look for 'people like us'? How do we appraise this?

As James Timpson (CEO of Timpson Group) recently said "Never be surprised by the power of training, and the joy it gives someone coming home to tell their family what they have achieved. Despite the barriers put in our way *(by the Government's apprenticeship levy)*, the money spent in helping someone be the best they can be is the most important investment a company can ever make".

Home or Office?
Is the mixed model right for you?

By Jacci Wright from Shared Inspirations

In this article I want to address the elephant in the room – will the mixed model work for **you**?
The last 16 months has seen a huge change in how we work and where we work, a time of change and routine that came from out of the blue with almost no time to adjust. But adjust we did - are you one the those who now work almost exclusively from home – or at least not in the office?
Our human ability to adjust and be flexible has been put to the test big style which has presented some interesting challenges, such as: -

- How to separate home life and work life when they happen in the same space
- Sharing workspace with family, pets, home schooling and deliveries!
- Finding a comfortable space to work and investing in equipment
- Disrupted routines of sleep, eating, socialising and exercise
- Managing isolation and a lack of real human contact
- Learning and building resilience and flexibility to manage change

All of these challenges have been managed in one way or another to suit our own personal circumstances and for some the change is great, for others not so much. The common thread is 'personal circumstances' which means that there is no one size fits all approach that will suit everyone. Where some have had the ability to create a home office with zen like surroundings, others have worked form the edge of their bed while juggling looking after family and a dodgy broadband signal. For some the benefits of working from home outweigh the downsides, for others the office is the only place for them to be happy and productive.
Employers have also been hit with a variety of challenges. They have realised the benefits of lower costs with people working from home but have also had the technical and business culture challenges of managing a workforce remotely. Of course, many would like to have their people back in the office for at least a portion of the week – but do the employees want this too? In fact, some forward thinking employers are actively speaking to their people to get a view about what would work well for all – are you getting involved in these conversations?
So, lets look at what you should be considering when navigating your own personal circumstances and how you can be creative in designing your own 'mixed model'.

Step 1. Make a list of the pros and cons

This may seem obvious, but its only when you put pen to paper that you can really look deeply into what your preferences are. Do you secretly miss the commute because of the ability to spend time for yourself, or has the money you have saved opened other possibilities? Have your personal relationships been enhanced or strained by working from home?
What have you gained and what has been lost that you want back? What do you now have in your weekly routine that you would want to keep? Create a list and take a few days to do it – sometimes a bit of time is useful when considering what you want and what you don't want.

Step 2. Plan out an ideal month.

Make a calendar of your ideal work month, factoring in the things you want to keep (maybe that swim you do on Tuesdays), things that you want to bring back (really missing in person team meetings?), the operational rhythm of the business (sales calls, regulatory checks, site visits etc) and optimising your commute (travelling off peak or cycling instead maybe?) to name a few. You may find that you will spend more time in one location than the other on different weeks and that is OK. Remember, this is an ideal month so changes will be inevitable, but it does give a good overview of how it can work for you.
It also means that you have a clear proposal for your employer, a starting point that considers both your needs and the needs of the business. That time taken preparing will save a lot of time later.

Step 3. Engage with your employer

Even if the desire of the business is to have you in the office as often as possible, having your plan ready is a solid start to those discussions. It shows you have taken the time to consider the mixed model from all angles and not just to suit you, but also how it will impact your work. There is of course no guarantee so be prepared to negotiate and be flexible where possible.

Step 4. Put the plan into action

Your plan is just a serving suggestion. Try it out and see if it works! Be prepared to make small changes to refine your personal mixed model plan because the better it works for you, the better it is all round. The balance you will achieve will have an amazing knock-on effect on your overall wellness and resilience as well as building in flexibility to weather any future unforeseen challenges and changes.
So, the mixed model of working is a personal choice and can work for you as long as you know what you need to include for both you and your employer.
In the future, being able to manage your own working environment will be seen as a key skill and behaviour as the world of work embraces remote autonomy for many employees – so get ahead and make it work for you with just 4 steps and a plan.

Shared Inspiration has a variety of blogs on topics that can help you with your overall wellness when managing transition and change, featuring Flexibility, Resilience, In Flow, Motivation to name a few. Grab a brew and dive in! https://www.sharedinspiration.co.uk/shared-inspirations

Who manages the managers?

By Julia Kirkland from FSTP Limited

Having run supervision workshops for so many Senior Managers over the years, I would be a wealthy woman if I had a pound for every time I'd heard the following…

"Yeah, I get that I have to manage my teams, but who is managing me?" or my favourite "who manages the managers?"

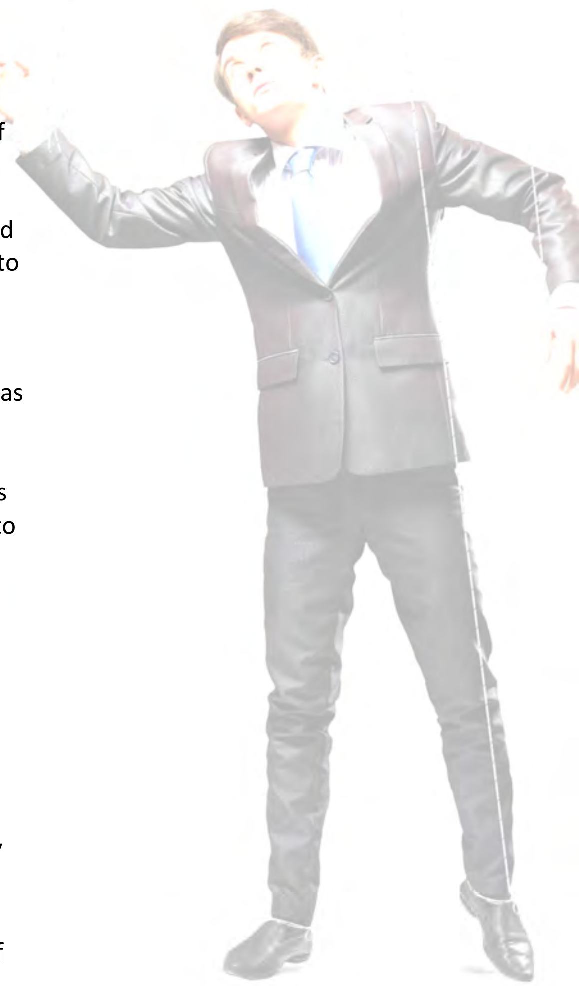
My response to the second question is always more of a challenge back to the person asking the question i.e. "Don't you know how your Senior Managers are assessed as competent?"

It stopped shocking me years ago, that training and competency schemes (now incorporating the policy regarding F&P procedures) still only go as far as Team Leaders or Desk heads. So many have no reference to the competency expectations of Senior Managers.

This is particularly true of the wholesale world where competency evidence has been patchy to date, to say the least. All of this despite the regulator trying their best to push the competency expectations up the agenda over recent years. Let's face it, the Senior Managers Regime was introduced specifically to ensure the quality of senior management and their governance arrangements were improved. Previously the T&C sourcebook was elevated to High Level Standards section of the Handbook and more recently the page on the FCA websites updated with information on their expectations.

> "The competency expectations have not changed for Senior Managers, what has changed is our need to evidence this

The competency expectations have not changed for Senior Managers, what has changed is our need to evidence this. It means the informal pat on the back from the Chair is no longer sufficient. Those at the Board table with a SMF number to their name need to have a framework of assessment and have their feet held to fire by their peers and in particular the Chair, who is most likely to have the responsibility for ensure the governance and F&P of SMFs is maintained.



How do firms begin to build a framework for those at the very top of an organisation? Well, in my humble opinion it's very much the same as a build for any other employee. What are the key competencies you expect them to have and how do they demonstrate they are meeting these?

If we take just one example around the expectation that SMFs understand governance and oversight responsibilities. How might we measure their competence has been maintained and how do we evidence this? Take this as a for example;

- No breaches of FCA code of conduct
- Attendance at relevant meetings and provides challenge in meetings
- Has attended training/conferences/CPD to ensure knowledge is up to date on this topic
- Formally recorded discussion about development in annual review with Chair
- Demonstrate and documented reasonable steps in relation to this competence
- Handover documentation is up to date and current, outlining their responsibilities within the governance and oversight framework
- Formal participation in periodic Board evaluation

Most likely it will be the Co Sec who keeps the records for the Chair. And, taking this one step further it should be interrogated as part of an internal/external audit in 3rd line activity.

It's not rocket science and like individuals further down the organisation in certain circumstances the same evidence can be used across other areas of competence. It seems only right that those employees who are taking the time to be trained as supervisors, should be reassured that similar methodology is deployed at the top and that it is taken seriously at all levels. Be in no doubt, the FCA is taking it very seriously.

Diversity and inclusion

Nikki Bennett from Searchlight Insurance Training

Issues around diversity and inclusion have featured prominently in recent pronouncements from the FCA. The regulator has become increasingly concerned that financial services firms are not exactly leading the field on D&I - and wants to move fast to put that right.

As its full name strongly hints, the FCA sees conduct as key to any effective supervision of the financial services sector, and sees D&I - in the words of a recent speech by its CEO Nikhil Rathi - as 'a telling indicator of culture.'

Beyond seeing D&I as a bellwether for broader culture failings, the FCA believes improved practice on diversity and inclusion helps mitigate culture risk within a firm. It has noted, for example, that a diverse and inclusive company culture, within which all employees feel accepted and able to speak freely, can help protect firms against everything from sexual harassment to bribery and corruption.

It is already the case that senior managers can be held personally liable for non-financial misconduct or for failures on D&I that lead to harm to customers or markets. But we can expect to hear plenty more from the regulator on this topic in the near future.

It is widely expected that the FCA's 5 Conduct Questions (5CQ) will be expanded to become 6CQ, with D&I as CQ6. We have also been told that the FCA and PRA are working jointly on a new approach to D&I right across financial services. Given all this, it is unlikely to be long before we start seeing examples being made around poor D&I performance.

There's certainly more than a hint of complacency on D&I right now within financial services. One recent survey highlighted a significant discrepancy between how diverse and inclusive board-level financial services employees think their organisations are and the presumably better informed assessments volunteered by their HR people. Experience suggests there's still an element of senior staff seeing D&I as something slightly nebulous and undefined - something 'nice to have' rather than a 'commercial imperative', as the regulator recently termed it.

Good intentions are clearly not enough in the current climate.

Failure to engage seriously with D&I at board level can leave untrained managers unaware of what they are doing wrong. This in turn leaves leaders and managers open to unlimited fines and their firms to regulatory action and/or the significant legal costs that come with defending discrimination claims and paying out settlements or compensation.

There's a growing recognition that failing to create and sustain a corporate culture in which all employees - regardless of their gender, ethnicity, sexual identity and orientation, physical and mental abilities, or other personal characteristics - feel valued and fairly treated can harm a firm in a wide variety of ways. It can adversely affect employees' motivation, performance, or even loyalty. It can prevent them from fulfilling their potential - and their employers and managers from recognising what they are capable of - and how their diverse experiences and viewpoints could help their firm address the needs of an increasingly diverse customer universe. The FCA has explicitly flagged its concerns over a lack of diversity, from the top down, impairing firms' ability to understand the communities they serve - or should be serving. Ultimately, D&I failings

> "Failure to engage seriously with D&I at board level can leave untrained managers unaware of what they are doing wrong.

can badly hurt a firm's reputation - as we have already seen with issues such as gender pay gaps.

So, what should senior people within financial services firms be doing to get up to speed with D&I? Firstly, ensuring D&I is high up the corporate agenda and keeping it there. Secondly, leading by example and showing everyone within the business that they take these issues seriously.

There's no harm anticipating D&I's future inclusion as one of the FCA's 6CQs and running your current provisions through that same thought process. One of the things this will likely highlight is the need to undertake some training - particularly for managers, but potentially for each and every employee.

That training should help your people appreciate the importance of seeing things from others' point of view and recognising their own potential biases and blindspots - and where they might unconsciously be contributing to poor D&I outcomes.

It would help them identify, flag-up or tackle unfair treatment, discrimination, bullying and harassment, and how to accept and value a full range of perspectives, abilities and orientations.

It can also cover the basics of what diversity is, what inclusion is, and why they both matter.

That's something I've skimmed over here - largely for lack of space. But if you're still in any doubt - or you think anyone else within your business might be - now is very definitely the time to act!

Specialist Apprenticeships

The cost effective way to boost your credit, collections, compliance, counter fraud, and debt advice capability by Fiona Macaskill, Director of Learning & Development, Credit Services Association.

> "CSA Apprenticeships are not just available to its member firms. Organisations from government agencies and Local Authorities to insurance and legal firms are also benefitting from its specialist expertise

Credit Services Association (CSA) is the only UK trade body for the collections and debt purchase industry with more than 250 member companies, employing approximately 11,000 people. It has extensive experience in developing and delivering Learning & Development solutions designed to increase capability, professionalism, standards, talent retention, and social mobility in this heavily regulated and complex sector.

In 2017, CSA became an Approved Apprenticeship Training Provider and now has a track record of enabling employers large and small from the public and private sectors to cost effectively up-skill or re-skill existing or new employees in its special business-critical areas of credit, collections, compliance, counter fraud, and debt advice.

Nick Cherry, CSA Board Director and Chief Operating Officer at CSA member company Phillips & Cohen Associates which has put employees through the CSA's Level 3 Advanced Credit Controller and Debt Collection Specialist Apprenticeship, says: "*In the current environment where some industries are facing unemployment and others have major skills shortages, there has never been a better opportunity to re-skill and up-skill people in specialist areas of financial services, providing an accessible long term career pathway from entry level upwards. Working with our trusted industry association on the delivery of this relevant, practical Apprenticeship standard is enabling us to cost effectively upskill existing and new employees to the highest standards for the long term.*"

"*As an industry and as a business, we have always believed in the importance of investing in our people. The better skilled our people are, the better the customer outcomes will be, and this is fundamental to our business. Learning & Development is evolving rapidly, especially since the introduction of the Apprenticeship Levy, and working with the CSA in this space ensures we stay ahead of the curve.*"

However, CSA Apprenticeships are not just available to its member firms. Organisations from government agencies and Local Authorities to insurance and legal firms are also benefitting from its specialist expertise.

Case study: Counter Fraud Investigator Apprenticeship

CSA works with a digital payment processing firm as a training provider and is currently running the Level 4 Counter Fraud Investigator Apprenticeship for members of its fraud team. The company's Learning & Engagement Partner comments: *"With our vision to be a leading digital processing business in the UK, we have a range of challenges, not least ensuring that our colleagues across the business have up-to-the-minute skills. We were already engaged with the CSA on risk training so when the Counter Fraud Investigator Apprenticeship was recommended to us, it was the perfect fit. Our Senior Fraud Manager started the programme in April 2020 and* *has gained a huge amount of knowledge. Based on his experience, he recommended two other colleagues to join the programme to further bolster their capability."*

The Senior Fraud Manager, adds: *"The programme is giving me exposure and knowledge that will help me continue to lead the function to manage the associated risks appropriately. It has given me a broader perspective on the complex regulatory environment in which we and our client banks operate, enabling us to advise and support them more effectively. It has also helped me to communicate key compliance processes and systems internally by understanding the bigger picture of the legal framework.*

"As a senior member of the team, I am responsible for managing my own time to ensure that the apprenticeship integrates well with my day job and I've already been able to apply what I'm learning. I will now be able to support other team members when they come to do it, sharing my learnings and experience with them. The programme will give them the opportunity to learn, grow, and take on more complex tasks.

"Through the apprenticeship cohort and CSA team I've also benefited from access to industry forums where I have been able to gain best practice insight from people working in wider sectors such as insurance and fraud prevention."

Case study: Regulatory Compliance Officer Apprenticeship

An Apprenticeships Manager at a Government agency which has a cohort of apprentices on the CSA's Level 4 Regulatory Compliance Officer programme. She says:

"Due to significant ongoing regulatory developments, we are going through a period of rapid growth having recently expanded our workforce of inspectors from 150 to 500+. To make this happen, we had to change our recruitment model from hiring trainee inspectors one at a time to taking on large cohorts all at once, who could be simultaneously trained up in the highly complex regulatory environment in which we operate.

"This presented a perfect opportunity to meet our targets on apprentice numbers as a Government agency and utilise the Apprenticeship Levy, while onboarding and upskilling a future workforce who could help us meet our increasingly complex regulatory responsibilities. As part of the recruitment drive to grow our team of trainee inspectors, we decided to offer the apprenticeship route to those with a Science A-Level alongside the traditional entry route for those with biological Science Degrees. Having people who can undertake labour intensive inspection tasks but also understand wider implications of complying with complex national and international legislation is vital for us. The Level 4 Regulatory Compliance Officer Apprenticeship provides an ideal pathway for our needs which also allows our new inspectors to work alongside our experienced inspectors and take part in more specialised internal training.

"We chose to work with CSA because of their track record of quality delivery tailored to unique organisational needs and their background as a well established trade association in a heavily regulated niche sector. From the outset, they worked hard to understand what we were trying to achieve and took the time to understand the

specific legislation we have to comply with, and how we work as an organisation within the regulatory environment. We needed flexibility when it came to the 20% 'off the job' training to make it work around our internal training and around the varied roles that inspectors play, which can involve a lot of peaks and troughs in workload. The CSA team came up with solutions which maintained the quality of the Apprenticeship while making it practical to undertake as part of the role.

"We were able to attract and recruit 42 candidates from a range of backgrounds, many of whom fulfilled the criteria to go down the traditional route but wanted to do the Apprenticeship anyway because of what it offered them in terms of vital transferable skills. We were initially expecting to mainly attract school leavers but have ended up with a cohort of apprentices aged between 20 and 63!

"These apprentices were taken on at the same time as a cohort of trainee inspectors with degrees which will allow us to compare the quality and competence of each group. What we have found so far is that the apprentices have been able to grasp the huge volumes of specific legislation that we deal with. We are also hopeful that under the Apprenticeship scheme they will quickly gain an understanding of the wider context of regulatory compliance, which will not only give them wider career prospects, but also enable them to more effectively fulfil their role with us.

"Although they are learning about compliance in a wider context, key elements of the Apprenticeship directly relate to their 'day job'. We're working with the CSA team and line managers to come up with topics for the Apprenticeship project that will be useful to the business, allowing us to complete pieces of work that we would need to do anyway. "Line managers tell us that apprentices are enthusiastic, capable, and keen to complete all their training and get out there and do the job. Some apprentices are already starting shadow inspectors and do some of the inspections themselves.

"The CSA team has been very responsive throughout the process so far, going the extra mile to gain and take on board feedback, and adapt the programme and our and our learners' changing needs. The fact that our apprentices have hit the ground running and started progressing, developing, and adding value to the organisation straight away is a very good sign of things to come."

Find out more about CSA Apprenticeships here: https://www.csa-uk.com/apprenticeships

A new world; a new normal

By Vince Harvey from Compliance Cubed

Since my last article I have had a trip to France cancelled for the third time – the ferry company now expects to be sailing on the route I want after 20th June. I'm hoping the crossing I have booked for early July happens, yet this week Portugal was moved to the Amber list and no countries were added to the green list.

With share prices for travel and leisure firms coming under pressure, AJ Bell financial analyst Danni Hewson is quoted as saying "Hopes of anything approaching a normal summer for the industry now look pretty much over." On the news this morning there were people running hospitality businesses in the Lake District talking about how difficult it is to get staff and some cafes looking to reduce opening hours and the range of goods available.

On a more positive note, Michael O'Leary (CEO, Ryanair) said that he expects unrestricted travel between the UK and Europe in July and August. By the time this article appears in print we're likely to know whether the pessimists or optimists were right.

As financial services firms consider the shape of their operations as the country's vaccination programme progresses it is worth reflecting on the findings of the FCA's series of covid-19 surveys. In June last year as the impact of the first wave of corona virus was becoming evident the FCA published a document on assessing adequate financial resources. In the foreword Megan Butler, head of supervision at FCA at the time, said: We aim to reduce the likelihood of market disruption, increase the chances firms can put things right when they go wrong, and minimise harm – to consumers and the integrity of the UK financial system – if they fail and exit the market.

The surveys have identified some 4000 firms which are in financial difficulty and conversations with them on their plans are ongoing. An example of where the conversation hasn't achieved the desired result is Amigo Loans where the FCA took court action to get their proposed arrangements blocked. The court agreed that the impact on customers was disproportionate compared to that on share and bond holders. Some firms are bound to fail, that would happen in normal circumstances as market demands change and business models don't adapt.

In April Charles Randell, Chair of FCA, gave a speech entitled 'Cautious optimism for the post-pandemic world'. One of the key threads was the need for the FCA itself to transform – this summer's publication of their business plan should give more detail on what that is going to look like.

In the speech he stated: "This new world is one in which the digitisation of many activities, including many financial services, has accelerated. A new world which calls into question the role of towns and cities in our economy, as more people work and shop without leaving their homes.

A new world in which some consumers have become financially more secure, adding to their savings as they have been unable to spend their money, but others have exhausted their savings or fallen further into debt. A new world in which largely unregulated online activity has become a bigger part of our lives, exposing the vulnerable to more and more scams, whether they are high interest rate scams, cryptocurrency scams or bank transfer scams; and where, even with regulated activities, consumers are sometimes only one click away from a bad decision."

From the speech it is evident that a focus on 'outcomes' will continue to be the message from the FCA. Some of this will result in new legislation e.g. to bring Buy Now Pay Later products within the regulated sphere. However, the main aim will be to encourage firms to carry out their own review of their business model, including whether financial resources held are adequate.

As T&C professionals we are affected by these developments in our personal lives as our travel plans get put on hold or as we are targeted by people wanting to invest our money. Genuine opportunities exist to help us with our objectives. Staycation is a much-abused term but a Ted Talk I listened to recently talked about the importance of building good relationships with those around us for our physical and mental health. We don't have to go abroad to do that, even if the weather would be better if we were able to. Similarly, there has been a significant rise in scamming and phishing since the start of the pandemic and the old mantra of if it looks too good to be true it probably is still holds true.

The firms we work for or with can play a part in two ways: reviewing the products and services we offer to ensure that they provide fair value; and in educating our clients and prospective clients so that they are better equipped to make sound decisions. One firm that I am working with at the moment recognises that, faced with the very large number often produced by a defined benefit scheme transfer value, individuals can get caught up in the sum available today rather than thinking about what it means to their financial security for the rest of their lives. That firm has created an educational tool on their website that provides a clear and balanced picture from which a user can make an informed choice on whether or not to seek advice from third party independent financial advisers.

This focus on outcomes appears to me to be an example of what the FCA would like to see. Towards the end of his speech, Randell says "And on numerous occasions going back over decades, financial regulators have spoken confidently about a new paradigm but haven't then been able to deliver; so my cautious optimism about the FCA needs to be matched with clear commitments to stating the outcomes we want, measuring these outcomes and being transparent about whether we have achieved these outcomes." Given the potential influence we have in our organisations I would encourage us to look for the FCA's Business Plan and use it to guide our training and development plans as our firms face whatever the 'new normal' looks like.

The end of the company pension scheme?

Henry Tapper
CEO Age Wage

We have known for two decades that most employers no longer want to support defined benefit schemes. They see such support as a blank chequebook for the Pensions Regulator who extracts ever higher deficit contributions to meet ever more demanding funding codes.

What we didn't know, but maybe should have done, was the lack of enthusiasm in corporate boardrooms for paying for the apparatus of the company's own workplace pension scheme.

According to DWP figures, as of 2020, more than 10 million savers had been automatically enrolled into a workplace pension and there were some 1,560 DC workplace pension schemes.

Of these 36 are multi-employer master trusts, around 100 are DC schemes in DB trusts (hybrid schemes) but over 1400 company pensions run exclusively for one employer and as defined contribution schemes.

Of the 1400, around 200 have more than £100m assets under management and around 1200 have less than £100m but are still big enough to merit the DWP's attention and that attention is severe.

The DWP's statistics tell them that there has been a slow but steady trend towards small DC company pension schemes consolidating all or part of their staff into larger schemes – mainly master trusts. There are a number of reasons given for this, primarily that Trustees of these schemes see member outcomes approved in larger schemes which tend to have better governance and can afford to access a wider range of assets that can improve member outcomes through better investment returns.

The more sceptical commentators, but the consolidation down to employers not seeing they are getting much value for the money involved in picking up the fixed costs of a company pension, the trustee expenses, the legal, auditing and advisory fees that come as standard as well as discretionary costs for the use of specialist communicators, subsidised administration and even subsidies on fund management and platform costs. Employers see these costs as better born by members in a multi-employer schemes where the employer is responsible for paying contributions and nothing more.

The DWP has now decided, after a consultation that has run since October, that DC company schemes with less than £100m AUM will have to prove not just to their sponsoring employer but to the Pensions Regulator that they are adding value relative to what can be achieved by participating in a master trust or in a group personal pension. Small schemes will have to take a value assessment each year to compare net performance, costs and charges, administrative quality and governance standards with three larger schemes, at least one of which would take the smaller scheme over.

Of course small schemes may be able to prove they are keeping up with their bigger counterparts but the DWPs requirement is that these assessments are annual and many smaller scheme trustees may succumb to consolidation out of attrition, not fancying an annual round of self-justification stretching into the distance.While consolidation looks like reducing the net available market to corporate IFAs in the medium to long term. Some providers (notably Aviva) have been stoking the fire by promoting the opportunity for financial advisers to complete the quite complex templates necessary to calculate net performance (the primary measure of comparison). To carry out this work, advisers will need detailed knowledge of the scheme, the capacity to collate information from a variety of sources and the ability to manage relationships with trustees, employers and regulators.

While we have known about the DWP's disdain for the governance of smaller DC schemes, many pension commentators were caught out by the hard-hitting approach from the

> "While we have known about the DWP's disdain for the governance of smaller DC schemes, many pension commentators were caught out

/Pensions Minister to larger company DC schemes. In his forward to a second consultation on consolidation, Guy Opperman.

I want to gather evidence on the barriers and opportunities for greater consolidation of schemes with between £100 million and £5 billion of assets under management. I am keen to hear ideas about how to incentivise consolidation for these schemes.

There are only a handful of DC schemes in the UK with more than £5bn in assets and most are multi-employer, so this suggests that Government now see the end of the company pension scheme as we know it.

The question that most retail advisers should be asking is what this means for their clients and prospective clients. Will the break between the employer and its pension disrupt workplace pensions for good or ill and how will wealthier individuals react to finding themselves in a multi-employer scheme? Will this lead to an exodus to wealth management or will the opposite be the effect? Will workplace pensions become irresistible?

Much will depend on how the master trusts develop and whether they become as compelling to their members as they are to Government and Regulators. So far, their success has been down to member apathy, but as we have seen in Australia, as asset balances creep up, members start paying more attention to their pension and the fight for the affections of the pension rich will continue, well after the company pension!

Networking: working in the 2020s?

By Phil Ingle from Phil Ingle Associates

"It's not what you know, but who you know". The 2020s are delivering a significant update to that seemingly timeless cliché.

Building business relationships continues to be relevant despite all the technology at our disposal. Ultimately, we are dealing with someone behind a computer or an app: not just talking to an algorithm. But the way we go about building our networks has been changing amidst the combined forces of pandemic and technology.

A post last year from the PPC Company recommends a range of strategies for IFAs building offline relationships: top of their list is using a lead generation company –they would say that wouldn't they? Next up is referrals and networking – so building relationships remains key.

As someone who has built many client relationship through 'word of mouth', I vouch for the value of networking as a standalone task. Having an extraversion slant to my personality probably helps drive that.

So let us consider how 'word of mouth' works now, and has been working for some years now.

During a conversation, a problem is discussed, and one party knows someone with a possible solution. It could sound something like "You could try Phil Ingle". Note what happens next. Whoever receives that name in that moment will then reach for their phone and Google who has been recommended. If there is a website, they will look at that. Increasingly the website may not be the first online check – it could be Facebook, Instagram, or LinkedIn. If they like the look (see some pictures) and sound (listen to a short video) of the person they may think 'maybe…' and then decide to follow up – send a message, make a call.

Networking therefore comes down to finding solutions, whether directly yourself, or when you cannot, finding someone who can.

The drive to network seems, on the face of it, unquestionable. A search of "Why professional networking is important" shows some 361 million results. A closer look though, shows many of these to be articles and thoughts from recruitment organisations – the people who most need to meet new people. In contrast the "I hate networking search" throws up 29 million results, which shows not everyone relishes the prospect.

Having run training sessions to develop networking skills I have often come across those who seek guidance because they hate networking. In pre pandemic times this seemed to include a demographic which was mainly female and under 35. The thought of going into a room full of men in suits filled some with dread. On occasions, one of those men may have been me.

The pandemic has bought into question the whole idea of networking face to face, with the concept of a handshake being anathema to some. We will see how long this continues. Similarly business cards: how relevant do they seem in the age of the hand sanitiser? Just another way of showing how out of date you are?

> "The online networking genie will not be going back into the bottle. There will still be face to face opportunities and the differing dynamics mean that in financial services, while the services are built online, the strongest relationships will occur through people – especially if you actually meet them

The drive to WFH means fewer F2F opportunities, so we build relationships now through a screen - and at a frequency we would not have dreamed of in 2019.
One change is the death of the standalone networking session. Pre pandemic these meetings could amount to being put in a room with dozens of others fuelled by caffeine and sugar - and left to get on with it.
Such scenes would also occur between sessions at conferences and exhibitions, but at least then you knew what the common purpose was likely to be.
How effective is your networking online?
On Zoom, Teams or other video technology, things are different. Free flowing discussion with a dozen others is impossible: people end up talking across each other or the conversation stays too superficial. Breakout rooms to discuss topic related questions work much better and allow you to form an impression about those you meet and if that is positive, easy enough to follow up with a LinkedIn connection.
Social media exchanges can contribute to your relationship building, although this depends on how they are used and how you build your profile, rather than which platform you are on. The methodology of, for example, Instagram versus Facebook will enable relationship to be built, while (in my view) Twitter seems able to destroy relationship just as easily. Quora is an example where more considered conversations happen over longer form that Twitter's 240 characters, but you need to be in groups and topics which are most relevant to you and your desired audience.
The networking elephant in the room, or rather on your phone/computer, remains LinkedIn. For those in recruitment it is the must have tool. The tone of many posts (i.e. those that I look at) seems professionally focused overall, and I find the search facility incredibly useful. Sometimes I can recall someone's first name, or their face, but rarely full name. When I am asked to recommend someone, I easily search my connections using only a first name, or other criteria, meaning I am generally able to find who I am looking for - a referral - even when I cannot recall all the details.
New platforms change things too. Clubhouse – if you have an invite – provides networking crossed with podcast, complete with its own protocols about 'hands up' and 'joining the stage'. At the moment this is for iPhone users only – and you have to be invited. I found some lively discussions there, while also aware of the black hole of time it can become, like much social media.
Networking Apps multiply too, including Guild, which enables small groups to form and exchange thoughts. Other platforms have their own pros and cons – Hopin, for example, allowing instant conversation even if you do not know the value of it up front.
Networking success through your phone is entirely possible, but the guideline here is to select the Apps/ platforms that work for you. What is unlikely to succeed is a chasing round too many social media sites/apps. This is the online equivalent of being a full-time networker, not a worker.
What about getting back into the room? At the time of writing we anticipate a lifting of restrictions under the UK government 'roadmap'.

As with the WFH debate, there are people who are keen to meet face to face again, while others are content to reduce travel and meet online. The online networking genie will not be going back into the bottle. There will still be face to face opportunities and the differing dynamics mean that in financial services, while the services are built online, the strongest relationships will occur through people – especially if you actually meet them.
I was drawn to the work of MacCarron, Kaski & Dunbar, from which we get the 'Dunbar number' – the idea that we have a circle of around 150 friends. They make the point though that we have friends in layers and derive their conclusions from mobile phone data. What this also hints at is that the closest relationships have a personal, live element to them.
Despite the pandemic and the tidal wave of technology, I suggest 4 basics of networking will not change:
1.In business, whenever you are communicating – like it or not, you are networking.
2.To meet the people you would like to meet, you will be most effective going where they are likely to be. No point thinking a 4N Networking meeting will work if you want to meet City fund managers. Consider which platforms make most sense: LinkedIn remains the main online medium for financial services.
3.Even in the post pandemic world without elevators, you will still need an elevator pitch. Introducing yourself with name, rank, number – or its corporate equivalent of name, employer, and incomprehensible job title – is just too dull. Say something interesting, in well under 30 seconds, even if not in an elevator. Especially not actually in an elevator.
4.When building relationships, another timeless phrase provides the foundation stone: no one cares what you know, until they know that you care. Take an interest in others, show you can listen, before putting yourself across.
To continue to build your network, I suggest the following:
- Use professional association meetings – live and online - to contribute to your CPD, and also start conversations with new contacts.
- Update your LinkedIn profile, and consider how your other social media profiles may benefit from some 'curation'.
- Think ahead: where will next year's new client contacts be meeting this month – again, live, or online?
- How do you introduce yourself? Technical accuracy is less important than being interesting – and often interest can often come from highlighting a difference.

Having skirted the debate about whether it really is not what you know but who, the major developments over the last few years mean that if knowing people is relevant, how you get to know them becomes even more important.
Some further thoughts…
https://www.theppcmachine.co.uk/marketing-ideas-for-financial-advisers/#tve-jump-170677c1998
https://www.bbc.com/worklife/article/20190410-the-introverts-guide-to-networking
https://www.peoplemanagement.co.uk/voices/comment/is-there-a-dark-side-to-networking#gref
https://www.sciencedirect.com/science/article/pii/S0378873316301095
Dunbar's number (extroverts – read the final paragraph)
and of course https://www.linkedin.com/in/philipingle/

It's time for 'extraordinary'

By Michelle Hoskin

from Standards International

We all love that team member who just gets it. The one who is on the same page as you, who knows where the business is heading and does all that they can (effortlessly) to help it get there! Sadly, these types of people are few and far between so when you get one… make sure you treat them well and try to hang on to them for dear life!

In the past I have written about the ultimate driver of self-motivation which I believe has to be one of the most important attributes you can find in any one person; but what else is there?

As we now start to return to some of the normal practices of business and office life, I believe there will be a 'people movement' shake-up as both firms and team members start to see the true colours of where they work and who they work with. Much of this will be good but most I believe will be bad.

Over the first few months of going into lockdown and the last few months of coming out if it - we have heard of some shocking behaviour from firms who quite frankly I would have expected better from – but equally we've seen some disappointing behaviours and responses from people who, when the chips were down, were simply not up to the job they said they could do or quite frankly not prepared to step up and be counted.

Either way, we need to blow the whole thing wide open and cut to the chase… what are those essential and key principles and behaviours that sort the wheat from the chaff, that pick out the valuable from the useless and the thriving from the surviving?

For years we've heard business owners tell us what magical qualities they look for in an outstanding team player, so when we set out to draft The Paraplanner Standard™ (https://standardsinternational.co.uk/certification/theparaplannerstandard/)we knew there had never been a better time to get these qualities in writing and part of the global benchmark. Now, one essential point to make: these key principles and behaviours are not exclusive to paraplanners – no! These qualities should be considered the bare minimum for every team member in every financial advisory and planning firm in the world – without exception!

> “As we now start to return to some of the normal practices of business and office life, I believe there will be a ‘people movement’ shake-up as both firms and team members

So, what does it take?

The key behaviours and principles we identified are:

- **Professionalism** – this kind of goes without saying, but you must love this profession and everything that it stands for more than life itself. Financial services is a calling: it cannot be done half hearted!
- **Moral values and ethics** – a person’s moral compass must be bang on point. No wavering from the innate desire to do things right for the right reasons. Can this be taught? I am not sure it can… but when you look hard enough you will find it and only then can you harness its power to unleash its potential.
- **Honesty and integrity** – we always talk about this as a ‘must have’ but I rarely see this being set as a benchmark during the hiring process. Sadly, people can be dishonest for various reasons, so we need to flush these people out before we even let them in. Integrity on the other hand is a whole different kettle of fish and in my opinion is right up there with the need to breathe!
- **Dependability and accuracy** – they must care about what they are doing and how they are doing it. No cutting corners, no broken promises. Dependability and accuracy build trust and without trust there is nothing.
- **Priority of the client’s interests** – not just your customers but also any other person you are serving in any given moment. That could be a fellow team member, the boss or one of your firm’s clients. Service can turn into serving, when done right, by the right person!
- **Due care and diligence** – this links to some of the qualities above. We should always come back to care and attention to detail. There is nothing more frustrating than a person who just cannot be bothered to do the job properly.
- **Compliance** – we can’t escape it! It is our essential baseline platform which we have to meet. An appreciation of the rules and a willingness to follow them goes a long way!
- **Conflicts of interest** – a confident person will have no issues with raising a concern or flagging an issue head on! Confidence is a massive quality which goes a long way to make for a fruitful contribution to the success of any team.
- **Communication** – the key to happiness, the key to trust, the key to successful relationships and a happy team! It’s good to talk and even more so when it’s constructive, fluid and free flowing.
- **Objectivity** – a balanced view is a healthy view. It is essential that we have people who see things from other people’s point of view, who can appreciate other perspectives. No one wants to be ranted at by a person on their high horse or their soapbox – and that includes the boss!
- **Confidentiality** – we talk about some serious and extremely private stuff. A business’s intellectual property (IP) and the affairs of the clients are top secret and should be kept that way!
- **Disclosure** – this is similar to honesty. You must be happy to speak out and be confident to say what’s on your mind, what may have gone wrong or what you have seen as a potential issue!
- **Competence** – if you need the skills, learn then; if you don’t have them, don’t say you do! You must have the right skills to do the job in the right way and at the right time. People’s true abilities and skills show their face eventually so not knowing everything is not a weakness, it’s a platform for you to build on what you have and achieve your best!

When demonstrated, these principles and behaviours are essential in defining the whole person – and when these key qualities are not just met but exceeded, I believe perfection will become a reality.

So, factor these into your recruitment process, your team profiling, and your appraisal and development programmes. Set them as your internal benchmarks for behaviours and achieve excellence as your standard!

Is bigger better?

By Derek Davies

One of the tasks undertaken as part of the supervisory process for advisers is a review of written work produced by them that is destined to find its way in front of clients. This is important as it will form the basis of the lasting record that exists of the interaction between an adviser and their clients, long after the memories of the detail of the discussions held have faded.

I use the word "faded" specifically because they do not disappear altogether as clients are often left with a memory of what was said, or what they think was said at the time. There are instances of clients make a complaint about being badly advised on the basis of what they remember happening during the advice process, rather than what the final advice actually was and what they agreed with the adviser.

This isn't something that's specific to the financial advice and we all do it from time to time where we have a recollection of something but can't necessarily remember the detail, especially where more than one option has been agreed during the process.

An example of this happened recently when my wife's car was coming up to its next service. She had bought a service plan with the car originally which she believed lasted for 4 years, but the garage said not, so after a search for the original paperwork, she found there was a 3 year service plan and a 4 year GAP insurance plan had been bought at the time and her memory had just switched the two.

This is a relatively simple example but financial advice can be provided on a range of investments and pensions with tax, legal and inheritance tax implications the effects of which can last for years. It is obviously important to ensure that the advice is suitably documented, is readable, does not use unexplained jargon and contains appropriate caveats. Importantly, this also needs to include reference to anything the adviser had raised which the client has not wanted to pursue at this time.

It is absolutely necessary therefore to make sure that all of the provisions of the advice are documented sufficiently as the FCA will assume that if it isn't written down it didn't happen.

But the question is how much detail is enough, is there anything that can be omitted, how do you make the documentation accessible to the average reader and more importantly, how do you make it accessible to a vulnerable client who might struggle with reading, or more simply struggle with the long, complex wording that it seems to be assumed in some circles, the FCA wants us to use.

However you only have to read the FCA's finalised guidance for firms on the fair treatment of vulnerable customers, from February 2021, to realise that this is not the case, as on communications they state that firms

> “The problem with including an executive summary in a report is that given the option, many clients will only read that, rather than the detailed advice.

must “Ensure all communications and information about products and services are understandable for consumers in their target market and customer base.”

It goes on to say that firms must “Consider how they communicate with vulnerable consumers, taking into consideration their needs. Where possible they should offer multiple channels so vulnerable consumers have a choice.”

Yes, all of the relevant and important information still needs to be provided to all clients, including relevant product information and disclosures but the challenge for the industry is to make this as accessible as possible to all of their clients.

I recall undertaking a post-sale file review for one adviser a few years ago now, in which the report spanned 37 highly detailed pages, including colourful pie charts and a host of additional information, some of which was not directly relevant to the advice being provided. I spent a little time on this and worked out that it could have said the same thing in under 20 pages. The report would have been more readable and understandable, but would still have contained the relevant regulatory disclosures and information.

The other aspect of this was that the client had, at the time, agreed to an hourly rate for any advice and I had to consider whether the bigger is better approach to this report was in fact providing value for money for the client?

Many solutions have been tried by firms to improve their written output, but I have to just point out to those who haven’t worked it out yet that sending out an overly wordy and technically complex report out by email, instead of in the post, doesn’t qualify as improved communication.

Many attempts have been made by firms of all sizes to use executive summaries and appendices within reports as a way to help clients to focus on the advice and then read further around the subject. By the way, it is appendices, not appendixes as I found in another report I once checked.

The problem with including an executive summary in a report is that given the option, many clients will only read that, rather than the detailed advice.

Appendices are also contentious in as much as, are they meant to be the source of generic technical information, say on taxation, or are they meant to relate more specifically to the advice provided? If they are simply a home for generic information, do they need to be there at all as you would expect the advice section to include specific detailed information on the tax implications of a particular recommendation, wouldn’t you?

This is where the bigger the better approach can fall down because you can find that, bombarded by unnecessary information, clients can question the value of the advice itself. Although many will still proceed with it, there is that dangerous period after the dust has settled when they can experience cognitive dissonance, the mental discomfort from questioning whether they have done the right thing or not? This uncertainty can lead to the inaccurate faded memory that I mentioned earlier and in its own way, sooner or later, to a potential complaint.

It is important therefore to reassure the client that they have done the right thing and that the advice was sound. This is often done by the adviser in post-sale contact, or at least it should be, but it could be the point at which the executive summary could come into its own. Sending a client a short review of the advice provided and the actions taken would help to reinforce the benefits of what has been agreed and continue to demonstrate the effectiveness of communication with clients, let alone removing the potential for a later, unnecessary, complaint.

So when it comes to communicating with clients, it’s not always that bigger is better and many clients, with or without vulnerabilities, would see the advantage in having a series of different types of communication to aid their understanding and may well welcome a summary that they could refer to in the future, instead of having to try to read through a lengthy report to find the answer to a potentially simple query.

Don't forget the supervisor

By Andy Snook from Performance Evaluations

Generally, a T&C Scheme tends to concentrate on the individuals undertaking the work processes, such as advisers and para-planners, whilst less emphasis tends to be placed on the individuals doing the overseeing. The supervisors. Which could be a big mistake.

Team hierarchy generally consists of a supervisor, in the guise of a head of, a manager, or a team leader, at the top, with the team members below. The supervisor is the individual who leads the team, making the decisions, and is ultimately therefore responsible for the outputs.

Of course, the supervisor may also undertake some of the work process. A sales team leader might have their own revenue target. A para-planning team leader might get involved in the more complex work. An administration team leader might be responsible for allocating revenue. All of which may be monitored as specific key performance indicators and is likely to be common practice in the industry.

Setting up key performance indicators for individuals undertaking processes is reasonably straight-forward as they are easy to monitor and measure. Identifying the same for supervisors is not so easy and the process to define competency may be more complex.

A good starting point is the supervisors' background. Why did that individual become a supervisor? Maybe it was because they were the most experienced or the senior member of the team when the position became available. Maybe they had been an outstanding performer or had specialist technical knowledge. Or maybe they had been recruited based on previous experience in a similar role either within the firm or externally and had transferred their skills into the role.

Background is important because it will have an impact on how they perceive the role. Some may take the view that they believe the team is working for them and that they are totally in charge. Others may take a view that the team needs only a certain level of supervision, freeing them up for other things. But the most effective they take the view that they are working for the team, not the other way around. Their role is to ensure that the team delivers their work effectively, accurately, supervisors adopt a different approach, one where and on time. They ensure that the team has the right level of knowledge, the right processes, and the right tools to do the work. And they make these their priority.

Consider the actual requirements of the role. How much non-supervisory work is required. How much time this will take. Because this could have an impact on the time available to supervise, irrespective of the level of supervision the team requires. Whilst there is no definitive guide on supervision time required, it makes sense to have more time allocated to supervision when the team includes trainees or a proportion of lesser-experienced individuals, and less time allocated if the team is fully up to speed and meeting their individual key performance indicators.

Measuring the supervisory effectiveness of a supervisor within a T&C Scheme can be broken down into three components. Starting with the key component of team interaction. This should include team meetings, individual meetings, and training, coaching, and mentoring. Good practice would be to hold team meetings at least quarterly, although in the current environment this should be monthly, and individual meetings at least monthly, or more frequently for trainees. All of which, of course, should be documented.

The quality of these documented meetings should be examined carefully. Not just the content, which might indicate that there are aspects that the supervisor themselves need to work on, but more importantly what is not documented, as this might indicate that there are areas either not discussed or considered not relevant to record.

Workflow management is another key component of the supervisors' role. This can be acquired remotely or directly through a variety of management information outputs. Careful examination will identify the areas that need attention. The question that should be asked, of course, and where appropriate, is what action is the supervisor taking?

The last component is the team itself. Are they meeting their key performance indicators and, if not, is the supervisor relying on the scheme outputs or are they monitoring this for themselves? An example of this might be a busy team not attending specific continuous professional development events. The supervisor should understand the importance of this, weigh up the workflows, and factor time in for the team to attend the event.

In any supervisory role supervision must take priority. There's little merit if, as a sales team supervisor, the supervisor meets their personal revenue target, and the team does not. Or the supervisor attends a lot of off-team meetings, but the team does not deliver through lack of workflow control, training, or availability of the supervisor for consultation.

Should a T&C Scheme ignore the supervisors, for whatever reason, it is then effectively ignoring their teams as well. The supervisor should drive the team outputs. Get the supervisor supervising and the team will naturally operate more effectively.

Future of Insurance – is risk pooling becoming a thing of the past?

By Dr Matthew Connell, Policy and Public Affairs Director from the Chartered Insurance Institute

When we talk about the future it often conjures up images from science fiction novels, flying cars and cities in the clouds, interstellar space travel and medical technology beyond our wildest imagination. After all, this was the future we were promised as children.

However, when I think of the future of insurance, whilst technology does and should play a role, I think we need to focus on some of the harsher realities at play in the market and really engage with these challenges, alongside the more exciting and novel opportunities.

The context of the last year helps to focus on one area of growing concern within the market and that is the issue of insurers moving away from risk pooling and continuing to focusing on individual risk-based pricing models. Aside from the pandemic, and the economic impact it has had on individuals and businesses alike (to say nothing of the social and health related impacts), there is a growing trend of people falling outside of ideal risk profiles. As we see greater refinement of actuarial models and the use of technology to better identify degrees of risk, it would not be a stretch to suggest more people will find themselves beyond the realm of market appetite.

So how do we answer the concerns of the public whilst also balancing these against business decisions? I do not believe there is an easy answer, and the topic itself needs a collaborative approach from professionals and firms alike, however, there are certain things that need to happen if we are ever to resolve these issues amicably.

Firstly, the purpose of insurance needs to be re-examined and we need to properly articulate whether it has fundamentally changed, for example we have seen a more risk averse mindset bed in and a greater focus on mitigation measures take hold. Whilst a focus on moral hazard and loss prevention measures are not new, it moves the market away from insurance and indemnification and rather focuses on how to reduce/ retreat from insuring certain risks.

Secondly, I think there is a wider debate that needs to be had in society, as to where social policy ends and where private insurance begins. If we can answer what risks can and should be picked up by the market, and therefore those that either need direct state intervention, or a public/private partnership, we are then better at articulating which risks are insured, which are uninsured, and where that leaves consumers.

Thirdly, although in a similar vein to the above, when identifying whether we need some form of government intervention, there needs to be a comprehensive discussion of how that should work, asking difficult questions around whether we truly are at the limits of market capacity and innovation in solving those key

> “So how do we answer the concerns of the public whilst also balancing these against business decisions?

challenges and meeting those risks. Which is particularly important as there is a comprehensive list of risks that which could fall within this category. This includes future pandemics (both the economic and political risks associated); climate change and the wide ranging impacts it is having/will have on our planet and on people (flooding being a good example of one such risk); and broader concerns surrounding risk based pricing for individuals with medical conditions, disabilities and even those from low income households and “riskier” geographic locations who are priced out of the market, with little to no ability to mitigate or change their circumstances.

The much greater ability to access and analyse data, and the continual regulatory pressure to be fully in control of risk, are facts and there is no simple answer. What matters is that we don’t slowly and unconsciously find ourselves at a point of no return. There is a marked shift away from traditional risk pooling (as noted in the recent IFoA The Great Risk Transfer report) and we need to be able to answer these difficult questions, if we wish to build trust with the public. We mustn’t lose sight of the good insurance does for society, whether its through personal protection, business protection and even insuring some of the riskier elements of our economy. We should certainly be proud of the support it has been able to provide during the Covid-19 pandemic.

Yet to answer the essay question I set myself, the future of insurance to me is one which can effectively articulate what it can do, honestly engaging with the limits of its capacity, transparent and clear on what its products and services provide. Ultimately, the brightest future is one which we proactively engage in ensuring everyone has access to some form of protection, even if it has provided by or in partnership with the government.

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