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T-C NEWS

COMPETENCE • EXPERTISE • PROFESSIONALISM

APRIL 2022

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Welcome to the Spring 2022 edition of T-CNews. The big item on this quarter's agenda for our readers in the new Consumer Duty. With the introduction of a new Principle 12, 3 Cross Cutting Rules and 4 Outcomes to satisfy all firms are facing a time driven challenge to satisfy the new requirements. From recent events attended it would seem that firms are working on getting the engagement of senior managers and performing gaps analyses of what need to be done. Within these changes T&C will have a role to play so it is important to get some air time within your firms' projects designed to address matters. We are also supported by a great range of articles from our regular writers all coming together to give you an insight into key topics. Enjoy. Jeff Abbott

Training and Competence isn't going away...

By Lynne Hargreaves from Clearstep Consulting

Back in the 1990s, LAUTRO launched T&C for those providing advice to retail customers, introducing the requirements around qualifications and competency. This has been followed by different regulator-led iterations (PIA, FSA) through to the current FCA rules and guidance, where all firms are required to ensure their employees are competent and follow the TC rulebook for certain individuals and activities.

Now the regulation around T&C hasn't changed particularly, however, the prominence around competence and capability has, and it isn't going away. The introduction of the Senior Management and Certification Regimes alongside the Conduct Rules ensures personal accountability and responsibility. Firms must make sure and evidence certification employees are competent and Fit and Proper, with everyone trained on the Conduct Rules and appropriate adherence.

And, we now have the Consumer Duty which is due to be implemented in April 2023. This piece of regulation is going to be challenging for a lot of firms as it places an even greater focus on the competence of the individual. I am sure some of you have just read that last sentence and said to yourself "have I missed something?" To deliver and evidence a good customer outcome-driven approach across the whole firm you need competent people. These are the staff who are your "first line of defence" interacting with customers as well as those responsible for designing products, systems, and customer journeys. Take note of the types of data/ information that the FCA says firms could use to monitor compliance with the Consumer Duty that relates to T&C. What are the outputs of your Consumer Duty gap analysis? What are your key recommendations? Do you think 9 months is sufficient time to implement the Consumer Duty?

The firms that are still operating a "tick-box" exercise to employee competence are going to struggle. Firms that cannot evidence how competent their employees are in dealing with vulnerable customers will struggle. Those firms that deliver lots of annual refresher training and think that will suffice, will struggle.

If you believe that you just need to amend the existing Conduct Rules training to incorporate the new rule and perhaps stick a new multiple-choice question on at the end, then I am afraid you may have missed the point.

Firms with an engaging customer-centric and development culture will have competent staff delivering a genuine fantastic customer experience. And, hopefully, they will have the management information to evidence this approach. However, a lot of firms with competing budgets and perhaps a drive to lower costs through greater time efficiencies have not invested in T&C solutions that engage individuals and create a development culture. How many of your staff see the recording of continuing professional development (CPD) as a necessary evil? Annual e-learning tests as something they must do, leave to the last minute, and then return to their day job? How many of you find the annual testing a repetitive almost pointless exercise?

For those firms that fall into this latter category, please consider how you can capitalise on the opportunity that the Consumer Duty provides. Review your approach to T&C – culture, strategy, scope, activities, results, resources, evidence, and management information. Complete a gap analysis against the Consumer Duty requirements and be clear of what needs to change and why. Use the results of your analysis to gain support for the change in advance of the final rules - there are then only 9 months to implement.

About the Author

Lynne Hargreaves is the Director at ClearStep Consulting.

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

How to present visually virtually

A step by step guide to using visuals online to enhance your virtual presentation rather than a dull, listless voice-over PowerPoint by Paul Archer from Archer Training

The Real-World Comparison

Let me take you back to the last in-person presentation that you enjoyed. I think you can recall a good presenter engaging with you, giving you eye contact and expressing their character. Interesting, with stories, metaphors and clear diction. Maybe some humour but particularly stimulating.

She has visuals, probably a large screen showing excellent PowerPoint. She stands to the side, maybe in front, as she moves around the “stage”. She interacts with her visuals which add massive value to the topic. She is the main focus of your attention and uses visuals to back up and further enhance the message.

Not always common in the corporate world, but I’m sure you can remember a similar real-life presentation.

The trick is to emulate this in the online environment. Let me show you how.

Why Do We Need Visuals Online?

The whole point of online presentations is to utilise the power of visuals; otherwise, you might as well just be using the phone. And there’s inherently nothing wrong with the phone.

Using the online platform allows coaches and trainers to add pictorials to help the person understand what they are saying. Salespeople can use visuals with clients to describe complicated concepts. Sales managers can use them to help with their coaching and 1:1s.

The main reason for using visuals is that the world is geared that way now. We all have large TV screens on the wall, view adverts on bus stops and train stations that move. Carry phones with magnificent visual displays and are glued to the internet on our laptops and tablets, with a plethora of images.

Younger generations probably are more visual now than any generation before them, having been weaned on tablets and phones since a tender age.

Visuals are ubiquitous.

Who’s the Primary Visual?

The presenter, that’s who. Most platforms default to the presenter sharing a screen on PowerPoint and remaining virtually hidden whilst she narrates the slides and presents the topic.

Since this is the default for most presenters, it has become the “go-to” way of presenting. I believe this is nonsense. Presenters need to learn to present to the camera lens as though they were standing in a boardroom talking to a group of people. They should “stand and deliver”. No sitting at your desk talking to a laptop.

Standing is natural when presenting; you have energy, poise and volume. Find some space in your office or room where you can talk from. Your stage, so to speak.

It’s not a big space needed – 2 metres by 2 metres is more than enough to move a little, gesture with your arms and enhance your message through body language.

Position your camera at eye level to you. A tripod, a gooseneck attachment will allow you to position a separate webcam. Or you can perch your laptop on a highchair and a few books if you have to.

On the topic of webcams, ensure you have a model that is good with autofocusing, as you will be moving backwards and forwards as you speak.

Have some lighting ahead of you, behind or above your camera. You could even light the wall or background behind you. Although this isn’t essential, just light your front.

Care with what’s behind you just as you would when presenting for real. Because your audience will look at whatever is behind you.

Finally, your microphone. The superior option is to don a lapel microphone that connects wirelessly to your computer. This gives you freedom of movement. An alternative is to have a boom microphone just under the camera. The worst option is to use the webcam mic.

Now you’re dominating proceedings and controlling the presentation like a conductor in the orchestra, you can point to visuals to help you support and enhance the message.

The Default Shared Screen Option

Zoom, Teams and all platforms give you the option of sharing a computer screen or application, so your audience gets to see this on their PC screen. Tiny thumbnail images of you and the audience appear along the boundary. Still, most of the monitor is taken up with the shared screen.

All the platforms attempt to help your video image appear more graciously alongside the shared screen. These can be clunky and difficult to control whilst in full presentation flow.

You can share anything that’s on your computer. PowerPoint tends to be the bookie’s favourite as we all use it when presenting in real life. PDFs, a web browser, and even a digital whiteboard can be displayed. There are hundreds of apps you can fire up offering all sorts of visual stimuli. Zoom and Teams both give you instant access to these apps. But essentially, you’re just sharing a screen with your audience, and sitting tends to be your default position as you have to operate these apps from your computer. This is why most presenters sit when presenting online. Close to their mouse.

Shame that.

Let’s remember that when you present in real life, you don’t have the option to operate a computer mouse. On a good day, you had a clicker in your right hand, small enough to be hidden as you gestured with your audience. We’ll keep the clicker online, which you use to advance PowerPoint.

Simultaneous Streaming of You and Your Visuals

Now we’re stepping things up a little. Imagine the old school presentation. Your audience would see you alongside the slides. You would orchestrate the whole scene, bringing up visuals when needed. You can emulate this online with a video streaming app.

Let me explain.
Rather than relying on your webcam to send a video stream to your webinar platform, you choose a stream created by software. This way, you select a different video option created by the software.
The software allows you to combine your PowerPoint visuals alongside your video image. Some call this picture in picture.
There are dozens of software options to choose from, and I suggest you try a few out. Capture, Vmix, Prezi; the list goes on.
I use a Blackmagic Atem Mini to do all of this for me. This clever box of tricks controls what goes into my video stream. I have four options. My PowerPoint visuals and three camera angles in my studio.
Imagine a BBC News studio with three or four cameras showing the newsreader from different positions. I can also combine these four options to allow picture in picture. It's pretty cool, and the ultimate coolness is the four large buttons on the console that you just press once to change the view everyone sees. No fiddling with a mouse operation whilst in full presenting flow.
The picture in picture operation shows me presenting and, alongside me, my slides. I can position my sliders next to me, above me. In fact, anywhere on my screen. However, the best feature is the green screen or chroma key feature.
Behind me, attached to the wall, is a green screen that I can pull down from the ceiling. This lets me display my visuals behind me. Weatherperson style. I can interact, point to images and words and move from left to right. Just like I used to do with a real audience presenting in front, I can concentrate on my presentation and my audience behind the camera lens with the touch of four simple buttons.

Livestreaming v Zoom

The last point in this section might push you beyond the boundaries of Zoom and Teams. Once you can produce a video stream created by your software, you can livestream rather than present via Zoom. Live streaming is very different to Zoom. It's a dedicated app that streams your video anywhere, live.
You can stream to YouTube, a website, Facebook. The list goes on. Livestreaming allows real HD quality from your end, and your audience can pick it up on any device. Exciting.

Other Visual Options

Remember the old school presentations? Many speakers and trainers would use a flipchart or whiteboard. There's no reason why you can't do this either. So long as you have good lighting in your room, you can position a flipchart or whiteboard to allow you to use these in front of the camera lens.
It's that easy.
My Atem Mini has a camera angle already set up to present my whiteboard behind me. I use big whiteboard markers to allow my audience to read my drawings. I like the whiteboard. It's different, very interactive and allows me to build a picture or story as I speak.
Just like I used to do in real-world training rooms.

Mixing it Up for the Ultimate Effect

Every successful real-life training or speaking event involved mixing it up. Never would a presenter simply sit there and talk to a group for hours on end. She would present for 5 minutes, then shows some visuals, maybe some flipchart work. She might then sit down and run a group discussion interspersed with group activities.
Presenters may run a short Q&A and facilitate some brief group activities but mostly present. And that's where visuals come into their own. They allow the message to hit home, help the audience engage and enjoy the topic and ultimately take action.
Remember, it's about emulating what you did in the actual boardroom. It can be done, is being done to significant effect, and you are now expected to up your game and do the same. Gone are the days when you can "get away with a slide deck" hidden discretely behind the slides sitting at your desk with a ropey webcam and tinny sound.
You owe it to your audience.

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 - just mention TC News in the invite.

The new Consumer Duty of Care - The FCA are serious, are firms?

Julie Pardy, Director Regulation & Market Engagement from Worksmart Limited

Last December the FCA issued a second Consultation Paper (CP) on the Consumer Duty of Care (CDOC) – CP21/36. This CP provided feedback from the earlier consultation on the same subject (CP21/13), together with further views on what the regulator is concerned about and what they are seeking to change.

The key points that the FCA consulted on previously were whether there was indeed a need for a new CDOC, and whether additional Principles, Cross Cutting Rules and Conduct Rules were required in support of this.

This latest CP provides feedback on industry views from the first CP and this feedback has enabled the FCA to provide more detail about the changes they are seeking to implement. Whilst the FCA noted they had received feedback, (235 responses in all) around whether there was really a need for an additional CDOC, their view is that they feel there is a need for additional regulation to help drive cultural change and ensure that consumers are put at the centre of a firm's business model and operation. They also noted in the CP that "many industry respondents agreed with their approach."

Why, given the FCA have fully implemented SM&CR which has, as part of it, Prescribed Responsibilities for Culture (i) and Business Model (t) is it necessary to also have additional regulation in the form of CDOC many industry participants are asking? Well, one obvious answer is that these Prescribed Responsibilities are only applicable to Dual Regulated firms, i.e., banks and insurers. No Solo Regulated firms have a Senior Management Responsibility for culture and only Enhanced firms have a Senior Management Responsibility for Business Model. So, the FCA cannot rely on SM&CR to encompass the focus on consumer and culture that CDOC is seeking to achieve for huge swathes of the financial services sector.

To put into context why the FCA has focused so heavily on this new proposed regulation, I undertook some analysis to categorise a wide range of most recent FCA fines. The table below lists the major fines in the retail sector in the last 3 years. As you will see I have assessed whether the reason for the fine is SM&CR related and/or CDOC related, and the results make for quite interesting reading.

Major FCA Fines (Retail Sector)				
Company	**Fine**	**Reason**	**Category**	**Note**
		2021		
Lloyds/Halifax GI	£90m	Unfair Treatment of Customers	CODC	Misleading information sent to customers when renewing their home insurance
HSBC	£64m	Money Laundering	SM&CR	Inadequacies in financials transaction monitoring system
Nat West *	£264m	Money Laundering	SM&CR	Inadequate responses to significant cash deposits
Credit Suisse	£147m	Financial Crime / Corruption Risk	SM&CR	Inadequate assessment of high-risk customers & transactions
		2020		
Barclays	£26m	Unfair Treatment of Customers	CODC	Not treating customers in financial difficulty with sufficient care
Lloyds	£64m	Unfair Treatment of Customers	CODC	Not treating customers in financial difficulty with sufficient care
Moneybarn	£2.7m	Unfair Treatment of Customers	CODC	Inadequate communication with customers in arrears on their loans
Charles Schwab	£9m	Failure To Protect Client Assets	CODC	Inadequate systems and controls for client assets
Commerzbank	£37m	Anti-Money Laundering Failures	SM&CR	Inadequate systems and controls around clients (KYC) & transactions (AML systems)
Goldman Sachs	£96m	Financial Crime / Corruption Risk	SM&CR	Inadequate systems checks on high risk individuals in high risk jurisdictions
		2019		
Prudential	£24m	Unfair Treatment of Customers	CDOC	Failure to tell customers about shopping around for best annuity rates
Standard Chartered (Life)	£30m	Unfair Treatment of Customers	CDOC	Incentivising staff to sell annuities
Bank Of Scotland	£45m	Unfair Treatment of Customers	CDOC	Failure to be open with the FCA about fraud with commercial loans
Carphone Warehouse	£29m	Mis-selling of Insurance Product	CDOC	Failure to train staff in providing customers with suitable advice
Standard Chartered (Bank)	£102m	Anti-Money Laundering Failures	SM&CR	Inadequate systems and controls around clients (KYC) & transactions (AML systems)
Stewart Owen Ford	£76m	Failures In Personal Behaviour	SM&CR	Failure to act with integrity and openness with the regulator

** Fine imposed by court rather than FCA*

When you review these fines, it is clear that significant CDOC failings remain despite the regulatory focus for many years from the FCA, and previously the FSA around Treating Customers Fairly and the management of Conduct Risk. Based on that view, it is easy to see why the FCA might have just run out of patience with regulated firms, hence its intention to 'beef up' regulatory requirements in this area. Make no mistake, the new CDOC promises to be a landmark piece of regulation, one that is arguably on a par with SM&CR. It is all encompassing and expects firms to leave no stone unturned as they consider everything that they do in the context of the end consumer outcome. Some may say that already exists now, but whether it does or does not through existing regulation, it is clear that what is there is not delivering what is expected.

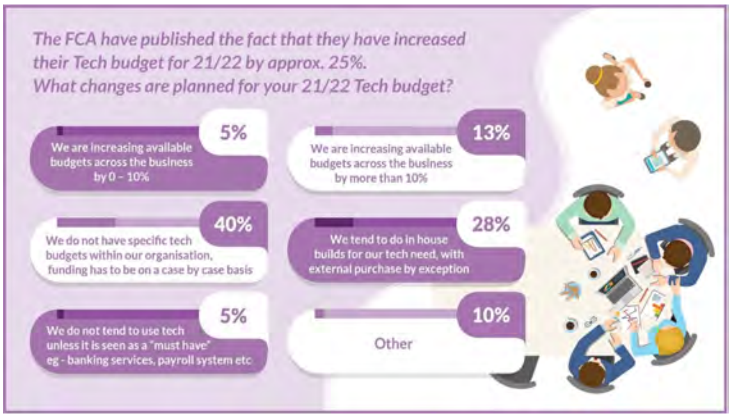
Part of the intended new CDOC is the requirement for firms to collect data, at least annually in order to re-assure themselves that customers continue to be at the centre of their business models. Interestingly it will not drive greater swathes of new regulatory reporting, but it does drive the requirement for an annual assessment of the effectiveness of the regime at board level. Senior Managers ignore that at your peril as the FCA made it very clear in this most recent CP that they will look to you with regards to the governance and the oversight of this regime. In the CP the FCA commented as follows in this respect. ***"Under the Consumer Duty, the firm's board or equivalent management body, will be responsible for assessing whether it is delivering good outcomes for its customers which are consistent with the Consumer Duty. This will be supported by the interaction between the Consumer Duty and the SM&CR. The SM&CR establishes clear senior management responsibility for compliance with the requirements and standards of the regulatory system. The Consumer Duty raises this standard."*** So, I think it is fair to say that the FCA have clearly explained what they expect from Senior Managers in this respect. Although the final rules aren't due until sometime this summer, if confirmed, firms will need to produce or amalgamate existing data to evidence these customer outcomes. And, from experience, given the time it takes firms to deliver on this likely new expectation from the regulator, it begs the questions about the preparations firms are making now.

At Worksmart, we run regular webinars on a range of regulatory priorities. These webinars are invariably well attended by individuals from different sectors in the financial services industry representing a range of functions in firms, e.g., compliance, HR, risk, governance and legal. Because of this range, we have taken to asking them questions about their own firm in relation to the webinar topic. On a recent webinar, attended by over 200 people, we asked several questions that, in the context of the incoming new CDOC regulation, were quite revealing.

The first question we asked attendees – "What the key regulatory issues were within their organisation?" The answers were as follows.

The attendees rated CDOC below Culture & Accountability, Governance and Operational Resilience. For me, this indicates that firms are still focusing on embedding live regulatory requirements. Whilst understandable, it begs questions about their preparedness for the new CDOC.

A second question focused on the FCA publishing the fact that they have increased their "Tech" budget for 21/22 by approx. 25% and asked what changes firm are planning for their 21/22 Tech budgets?



The results showed that over 75% of attendees indicated that they either had to rely on their internal IT departments to build new or adapt existing systems or 'pitch' for IT budget on a case-by-case basis.

In the October 2021 issue of T-CNews, I identified the FCA's intention to set aside an IT budget of £120m over the next 3 years so it can invest in big data and analytics to understand how firms in each market sector are behaving and identify 'the outliers' (Rathi's word). In the article, I suggested that we may well be moving to a situation where the FCA knows more about a firm's behaviour than those responsible within that firm themselves. Controversial I know, but this certainly could be how things play out if the regulator is more RegTech enabled than the firms it oversees.

So, whilst the CDOC promises to increase the expectation on firms to collect a rounded set of data on how their own firms perform, if the survey answers from our recent webinar are representative, the industry are neither giving the incoming new CDOC the attention it merits nor are they making the investments in their IT that will

“I hate to say it but are firms holding back on starting the detailed stages of their CDOC projects and waiting for that policy statement to drop in the summer of 2022? If so, it could be a very stressful 9 months for firms if they squeeze their project preparation and delivery into such a small timeframe.

enable them to more effectively manage and demonstrate good consumer outcomes.

The consultation period for this CP closed on the 15th February 2022 and, in this CP, the FCA states its intention that firms should have the final rules fully implemented by 30th April 2023; little more than a year away.

I hate to say it but are firms holding back on starting the detailed stages of their CDOC projects and waiting for that policy statement to drop in the summer of 2022? If so, it could be a very stressful 9 months for firms if they squeeze their project preparation and delivery into such a small timeframe.

I find myself asking how many of the FCA's fines in 2023 and beyond will be for firms not providing good outcomes for consumers because their compliance, risk and oversight teams weren't ready for a) the more focused requirements of the regime and b) the compressed timelines for compliance.

And on a final note, any implementation of new regulatory requirements will succeed or fail based on the individuals within a firm, how the requirements are approached and whether sufficient time, resource and funding are made available. With many organisations too often the communication and input mechanisms for bringing staff up to speed with changing regulatory requirements is one that is often missed. Organisations might want to consider that within this CP, there was clear focus on a firms Training & Competence arrangements and what firms might want to consider in respect of managing the competence of their people. If that's not a clue to what the FCA will be interested in going forward, then I for one would be very surprised if firms don't look to review their T & C arrangements in this respect to ensure that they are fit for purpose by the time the new regime becomes a requirement.

Opportunities in unexpected places

How the trade body for the debt collection industry helps organisations to attract new talent and upskill their staff with work-based learning by Jamie Skiggs is Training & Compliance Administrator from Credit Services Association (CSA)

When I joined the Credit Services Association (CSA) last year, I had heard the term 'trade association' previously but was not fully aware of all of its activities. Now that I've been working for the CSA for over a year, it has introduced me to the benefits that a trade association can provide to an industry, through measures such as complaint handling, lobbying, and training.

When I started the job, I had a slightly negative perception of the industry from what I'd seen on TV and online, but I came into it with an open mind. I'm glad I did because it wasn't long before I realised exactly how rewarding a career in this industry can be.

Debt itself, although a lot of people may not think it, universally touches on everyone's lives in some way or another. I soon became aware that the debt collection sector is made up of professional, ethical, regulated organisations (CSA members), that abide by the industry standard, the CSA Code of Practice, and undertake complex work to engage with their customers who need to be treated fairly and carefully.

As far as careers are concerned, the industry is currently suffering from a large skills shortage, and recruitment drives are at an all-time high. That's why, now more than ever, it is important to make people aware that debt collection is an area of huge potential for those that are looking to start or change their career. There are many transferable skills that can be brought from other sectors where jobs may be scarce - and this is where the CSA Learning and Development department (which I work for), comes in.

The complex skills required to work in the debt collection sector can be gained through the CSA's cutting-edge learning & development programmes. As well as being a trade body, it has an award-winning Learning and Development department which offers a wide range of courses and initiatives to help organisations train new staff and upskill, or re-skill, current ones. It also sits on the Register of Apprenticeship Training Providers (RoATP) and offers a number of apprenticeships standards at a range of levels in Credit Control, Advanced Credit, Regulatory Compliance, Counter Fraud, and Debt Advice. Roles within this sector require a wide range of skills, and those who complete on-the-job apprenticeships for example, will be highly employable.

One of my proudest moments so far has been my involvement in the development and recent launch of a new online learning platform - the Collections Learning Initiative (CLI). The platform is an affordable and effective way to upskill collections staff at all levels, giving them instant, convenient access to high quality, flexible virtual training materials tailored to the needs of the individual and the business.

> "it is important to make people aware that debt collection is an area of huge potential for those that are looking to start or change their career

As part of my research to create materials for the CLI, I visited a CSA member and listened to a number of customer calls. I was very impressed with the empathy and professionalism shown by the customer service agent and how they did everything they could to help. I could then put this knowledge back into the CLI product to ensure the content available would match and meet the already consistently high industry standards that are out there. There will be 12 modules in the CLI and will include topics such as customers in vulnerable situations, compliance process systems and working practices in the debt collection industry, and trace and Investigation techniques.

CSA training programmes offer employees of CSA member firms and wider organisations that require these skillsets, such as Local Authorities, government agencies, insurance firms, and banks, the opportunity to gain qualifications and training that will enable them to build a successful career pathway in professional services.

Having only worked for the CSA for over a year, and what I've seen achieved in that time, I am excited to see what is next on the agenda and how this will strengthen my own career pathway, as well as helping others with theirs.

For more information on the CSA's Collections Learning Initiative or CSA Apprenticeships, please visit www.csa-uk.com.

The Credit Services Association (CSA) is the only National Trade Association in the UK for organisations active in the debt collection and debt purchase industry. The Association, which has a history dating back to 1906, has over 250 member companies. As the voice of the collections industry, our vision is to build confidence in debt collection by making the entire process clear, easy to understand and less stressful for all those involved.

CSA Apprenticeships are provided by CSA (Services) Ltd as a subsidiary of the Credit Services Association.

Annual allowance -It's that time of year

Peter Lawlor
Technical Consultant
Expert Pensions Limited

This is the time of year, when clients invariably ask how much can I pay into my pension? This has become an increasingly difficult problem, due to the changes in legislation in respect of tapering of the annual allowance. The following article examines some of the issues surrounding contributions and highlights the information required to enable an accurate calculation to take place. The first point to establish, is whether the client has previously accessed any benefits and thereby, triggered the money purchase annual allowance (MPAA). A list of the trigger events can be found at the following link https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm056520

It may be prudent to write to clients on an annual basis, at the start of the year, outlining the issues of MPAA. A client receiving a letter from a provider confirming that they have a policy that can be accessed, may think of this as a windfall. However, it will have serious consequences for the adviser and the client if the MPAA is triggered. The significance of checking the position regarding the trigger events is highlighted In a FOS ruling in 2020, where an IFA allowed an employer contribution to be made and did not obtain confirmation whether the client had accessed benefits previously. Carry forward is not available if a client has triggered the MPAA.
https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm146600

This mistake cost the IFA practice some £60,000.

Another point to note here, is that it is not possible to have a refund of employer contributions for merely exceeding the available annual allowance.

Inheriting new clients that have previously paid single contributions or have used carry forward will require good data collection.

Although threshold and adjusted income have increased with effect from the 20/21 tax year £200,000 and £240,000 respectively, the lower threshold and adjusted income are relevant for the 18/19 and 19/20 tax year. In addition, the need to have accurate records in respect of the contributions is extremely important as the following example will demonstrate:

Tax year	Total income -£	Contribution
18/19	160,000	30,000
19/20	140,000	30,000
20/21	180,000	30,000

From the above, we do not have sufficient accurate information to proceed with the calculation for the current year. If, the above contributions were personal, then the carry forward position is as follows:

18/19-- £5,000
19/20--£10,000
20/21--£10,000

In the example above, if the contribution had been paid by the employer, then the carry forward position is different.

18/19 – (£10,000)
19/20 – Nil
20/21 - £10,000

So, in this case, it would be prudent to ensure that the client had carry forward available prior to 18/19 to mitigate the excess.

I use the table on the next page to keep records of payments:

The cumulative carry forward column at the end is the amount of carry forward that is available in the next tax year. As can be seen from the carry forward figures it is only the balance of the tapering that can be utilised in the later years.

The above example highlights the need to collate and keep good records in respect of historic payments. The need to establish who paid the contributions has become imperative for high earners and clients who have multiple income sources. It is important to ask the question - What is your total income from all sources? This will include the following:

- salary, bonus,
- pension income (including state pension),
- taxable element of redundancy payments,
- taxable social security payments,
- trading profits,
- income from property (rental income),
- dividend income,
- onshore and offshore bond gains,
- taxable payment from a Purchased Life Annuity,
- interest from savings accounts held with banks, building societies, NS&I and Credit Unions,
- interest distributions from authorised unit trusts and open-ended investment companies,
- profit on government or company bonds which are issued at a discount or repayable at a premium and income from certain alternative finance arrangements etc.

Tax Year	Income	ER Contributions	EE Contributions	Adj Income	Annual Allowance	C/F	Cumulative C/F
16/17							
17/18							
18/19							
19/20							
20/21							
21/22							

As mentioned earlier, the raising of the Threshold/Adjusted Income should see a significant reduction in the number of client's impacted by tapering. The tapered annual allowance is covered in greater detail:
https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm057100

The days of a large contributions being made at the Company's year end needs very careful planning as I hope the above has demonstrated, a thorough collection of information is required.

When asked, how much can be paid into my pension this year?

My starting point is - How old are you? Have you encashed any of your pensions? And the rest of the information is dependant upon the answers to the above!!

This article highlights the implications of not analysing, planning, and carefully considering all the information you need to provide a recommendation.

The FCA want to see higher standards of advice and believe this can be achieved if PTS's improve their levels of knowledge and understanding through formal training. There are new and specific CPD requirements in place for PTS's and the Expert Pensions PTS Knowledge Hub is designed to provide you with insight, best practice, and technical refresh to ensure you maintain and enhance the knowledge and skills you need to deliver a professional service to your clients, your business, and the financial services industry.

Threshold/Adjusted Income

Threshold Income
Total income from all sources

+ Add any salary sacrifice set up after 8/7/2015

- Deduct any taxed lump sum death benefit received

- Deduct any cross member contributions paid (whether under the relief at source method or net pay arrangement)

If, Threshold Income is greater than £200,000 tax year 2020/21 onwards - go to Adjusted Income

Adjusted Income
Total income from all sources

+ Add any employer contributions

- Deduct any taxed lump sum death benefits received

If, Adjusted Income is greater than £240,000 tapering takes effect

Rise of the twenty-something financial adviser

By Andy Snook from Performance Evaluations

> "They see being a financial adviser as the best role in the industry. Not so much for the money, but for the scope of the role and what it delivers, not just for the prospective income

I am sure that we have all noticed an increase in the number of the new financial advisers in our industry who are aged twenty-something. Where are they coming from, why are they becoming advisers, and what does it mean for the clients?

Nationally, the increase in popularity and scope of apprenticeship schemes has generated a lot of interest in becoming a financial adviser. As an End Point Assessor for the apprenticeship scheme, I have completed the apprenticeship journey for over twenty new advisers to date, and all but two were aged twenty-something. Within my own firm over the last three years all but one of the eight new advisers that I have trained have aged twenty-something.

Unlike my own experience of becoming a financial adviser back in the early 1990's, which, if I am honest, was not a career choice but simply because I needed work, and yes, I was over thirty years old, all these new advisers have made this a career choice. They have come up through the back office and previously worked as administrators, technical support, or para-planners. All have several years back-office experience and training. All, of course, have the minimum level 4 requisite qualifications. Looking back to when I started, I had no qualifications, did not need any qualifications, had no experience and was given two weeks training before I started to give financial advice with minimum supervision. That is if you can call a conversation which went like "Do you have a pension? No? You need a pension. How much can you afford each month?" to be financial advice. It was what it was back then.

Talking to these new advisers they appear quite consistent in why they are making this a career choice. They see being a financial adviser as the best role in the industry. Not so much for the money, but for the scope of the role and what it delivers, not just for the prospective income. And they are prepared to invest a lot of time in achieving this. I've yet to meet anybody who has sat financial advice as a degree choice at university, but many have sat associated degrees, then moved into the back office, and progressed to becoming a new financial adviser. Probably that they have been less than ten years out of the education system, many a lot less than ten years, has helped the learning and application needed. They are also not content with just achieving level 4. Most of the trainees that I have assessed have been focused on achieving Chartered status. Not necessarily because they must, but because they see that as the level they need to be to meet the needs of the role. In my own firm this has developed further into upping the ante even further with at least three new advisers achieving Fellowship and two more in hot pursuit. Healthy competition?

Perhaps. But also they see this as a means of demonstrating credibility.

Is credibility important? Absolutely. It always has been. The older advisers will use their years of experience, the size of their client bank, and even their fee generation records for credibility. These new advisers do not have that. So they need the qualifications as credentials to demonstrate their knowledge. You may well ask if they need to do this, and I would suggest that the answer is that they do. Put yourself in their position. If you are a twenty-seven-year-old new adviser talking to a sixty-year-old client about how their half a million pounds should be invested, you need something to demonstrate that you know what you are talking about. It is no different to when we have a technical issue on our computer or mobile phone, we are quite likely to ask one of our kids (or at least somebody much younger) because we know that usually they are good, and they have the knowledge to sort it out.

And yes, they are good. Exceptionally good. What they lack in experience, and we have all been there ourselves whatever the role, they make up with enthusiasm, confidence, and knowledge. I accompanied my two new advisers yesterday to their first (virtual) client meetings and both performed very well. In one of these the client was hungry for technical information which the new adviser provided to a much higher level that I could have done, and in doing so achieved a very solid engagement in the process. The lack in experience showed in losing control of the meeting, but again we have all been there and it did not detract any value from the meeting. Interestingly neither new adviser was over-keen to demonstrate their knowledge. They simply provided a suitable level of information as education and answers questions when required. And their backgrounds? One has been with us for three years, one for seven years. Both were para-planners. Both are Chartered. Both are aged twenty-something.

What does this mean for the clients? Well, compared with the older financial advisers, whilst the new, twenty-something advisers lack experience, certainly in my firm pro-rata they are better qualified than some of their seniors, some of whom do not have the same desire to achieve higher qualifications unless it is necessary. Their approach to the role differs too. Initial training has been the combination of the industry changes over the last few years, advances in technology, and the benefit of observing more experienced advisers, as opposed to additional training through CPD events. Training techniques have advanced considerably too.

Would this benefit the client? Possibly. The job is still the same. Talking to people. Understanding their objectives. Recommending solutions. The main difference is that the clients they take on now will have that adviser for the long-term relationship. Given that people buy people, there is a definite attraction in working with somebody you have known and trusted for years. The twenty-something financial advisers have this in the bag!

Negotiation skills for the 2020s

By Phil Ingle from Phil Ingle Associates

We are all born negotiators. We negotiate every day, consciously or (maybe mainly) sub consciously, and especially in financial services. Persuading and influencing people about our products, services, wants and needs is seen as natural, and sometimes we even put in extra effort because it seems like a 'negotiation'.

But this is the 2020s now – how is the art of negotiation evolving, and how can we evolve with it?

Negotiation seems as old as language itself. The earliest negotiations are not recorded – unsurprisingly. You might expect that by now we would have become better at it. Maybe some have, I fear some have not. Does that include you?

My work in this area can be traced back to own training in negotiation skills back in the late 1980s. At that time lending money and trying to get it back, I found myself sent on a course (in the room, but we didn't say that then: it was always in a room…) and had a fascinating few days pretending to sell cars I didn't own and trying it on with some more senior colleagues who clearly had no hesitation at lying to me. While we were on the course anyway.

The revelation though was in the following days. I noticed in my client meetings I was getting better results more easily, with some novel approaches to repayment – often because I was listening to the customer rather than trying to dictate. At that time we were also keenly studying the negotiation "bible", Getting to Yes by William Ury & Roger Fisher.

What has changed? Personally, I now train others in negotiation, and sometimes this is in a room. As a human being I negotiate every day, sometimes very poorly, yet I look to learn.

To help you consider your negotiation skills, I share three areas of development which are taking on more importance, and are evident in financial services.

The first key element is the absence of basic negotiation skills. Wide scale data on this is hard to come by, so I rely on my own observations across training over the last several years. I am quite frequently asked for training on Advanced Negotiation Skills. The rationale for such requests seems to revolve around the understanding that people are being "rolled over" by superior negotiators. In some cases they are right. Yet it not Advanced Negotiation skills that are required.

It is the basics.

One essential element of 'skill' is preparing for the negotiation. For some – especially in financial services – this means going into the meeting with a 'bottom line'. The perception that "we are too busy to spend time ahead of the meeting" ignores what making the negotiation effective really involves. The bottom line in preparation is that the bottom line is not enough: you should be thinking about the transaction you are negotiating and the nature of the relationship you have, and want to build, while the negotiation is completed. This requires not just a bottom line but a top one too: what is it you really want? This could be phrased as your wildest dreams. From this a realistic mid-point (not 50% between your wildest dreams and your bottom line!) or outcome can more easily be envisaged.

The next essential is your BATNA - Best Alternative To a Negotiated Agreement - Ury & Fisher's wonderful acronym for a walk away situation. We can all realise, at least on an intellectual level, that there is a possibility every negotiation will not end as planned – the question is what will do you if you cannot agree? Having a 'walk away' or Plan B is something which lends huge confidence when negotiating, especially in complex commercial transactions.

For the 2020s, preparation remains the key.

Once prepared though – what style of communication will your negotiation involve? Over the last 2 years face to face meetings have reduced in number, as have phone calls, but screen-based calls are coming to the fore.

The changes here seem rather basic to some, but the impact remains the same – you are looking for trust. For this I use the tried and tested ABC tool: Appearance, Behaviour, Communication.

Your online appearance should be curated so that people can see your face and especially your eyes. Get you webcam at eye level (not staring down at your laptop), some light on your face instead of behind you (preventing your face being silhouetted), and consider the background, going virtual if that helps. Wear solid colours too – to prevent the camera blurring around stripes & checks.

Your behaviour needs to adjust too, but maybe more subtly than when face to face. Posture can be varied to good effect (some leaning in to take interest) and a few visible hand gestures can work too: generally the more of your body language that can be observed, the easier it is to build trust.

Communication wise your voice tone will reflect much of your meaning, but it needs to be heard. Is your built-in microphone up to it?

> "As a human being I negotiate every day, sometimes very poorly, yet I look to learn.

A plug in, more professional version will make you sound better, and being easier to hear puts less effort on your listener – with less opportunity for misunderstanding too.

The third area is cake based.

This comes from Barry Nalebuff & Adam Brandenburger's excellent Harvard Business Review article Rethinking Negotiation. They use a simple but effective example of how important it is to grow the size of the cake, not just argue over the size of your slice. Looking for synergies with clients, suppliers and colleagues is a way of building relationships not just achieving a transactional win. Their investment pooling example provides a graphic quantitative method, and also illustrates how keeping an eye on the bigger picture – size of the cake – rather than the detail of what is mine/yours, can make a win/win more easily and more often.

The route to bigger cake size is more ingredients.

Negotiation in the 2020s will remain not just what you get, but what you – and the people you negotiate with – give.

https://hbr.org/2021/07/9-tactics-for-better-remote-negotiations
https://hbr.org/2021/11/rethinking-negotiation?autocomplete=true

It's wrong but what can you do?

By Adrian Harvey. CEO from Elephants Don't Forget

As recent legislation highlights the failings of the industry default employee T&C model, many compliance and risk professionals are increasingly feeling uncomfortable and questioning if there is a more authentic solution. One that promotes a genuine culture of compliance rather than a cynical box-ticking approach that alienates employees and management and is unnecessarily expensive.

Calling time on the tick-box compliance model?

As the regulator presses ahead with a cultural suitability agenda, many compliance and risk professionals reflect on the employee T&C regime in their firm and bemoan its role in landing a culture where the customer is genuinely at the centre of business decisions and employees are genuinely part of the first line of defence. Could it be that firms are finally calling time on the traditional tick-box compliance model?

"We have a model like most firms; where we do annual refresher training via e-learning, and employees get a test at the end of each module and get as many goes as they need to pass. Everybody knows it's a pointless waste of time and is actually worse than useless, as it pi%s everybody off and everybody blames compliance!"*

This would be reflective of conversations I have every day with compliance professionals in financial services firms. This tick-box approach to compliance is the worst kept secret in the market!

A survey conducted by Elephants Don't Forget in December 2021 – that was the trigger for this paper – concluded that, on average, firms in the sector issued 10 hours of mandated refresher training every year. Some firms chose to spread the "pain" over the year, others delivered it all in one month. In every instance it was a source of discontent in the business and invariably meant an administrative challenge of chasing down employees who had yet to comply, with increasing levels of threats.

Whilst this current industry default model might provide cosmetic evidence that employees are competent in-role, it certainly doesn't meet any authentic test, arguably creates a false sense of security, and has a toxic impact on employee culture. Bold statement perhaps, but unlikely to see many disagreeing with it.

More recently, as wave after wave of more complex and far-reaching legislation breaks on the market, compliance professionals are increasingly uncomfortable and seeking a better model.

Pros and cons of the default approach

Charitably, let's acknowledge the advantages of the current model. Apparently, it doesn't cost a lot.

Now that we have comprehensively addressed the advantages, let's unpick what's wrong with the current default model!

Firstly, it is not fit for purpose. It fails in the most basic element. It does not deliver employees who are capable, competent and understand the respective legislation as it pertains to their role. It is unlikely that many who are reading this will disagree with this statement but, for those who do, perhaps understand how we know this to be undeniably true.

Last year we managed more than 100 million individual knowledge assessments, the majority in firms like yours with employees not dissimilar to yours. And the actual level of average competency was just **52%**. In other words, on average, employees knew about half of what the law required them to know.

The idea the regulator isn't aware of the fact that the industry default T&C model is little more than a box-ticking exercise is fanciful. Obviously, the regulator is aware and, inevitably, more recent legislation will increasingly bring such practices under closer regulatory scrutiny; most compliance professionals recognise this.

And it is these recent changes: SM&CR, Conduct Rules and now new Consumer Duty that is catalytic for many SMF16s, 17s and 4s.

A timeline of poll feedback from risk and compliance professionals from webinars conducted by Elephants Don't Forget sheds insight on the extent of this issue.

In July 2021, we asked 280 professionals: **"What impact has the FCA's cultural agenda had on you and your firm?"** None of the respondents stated that they were completely confident in their approach to culture and governance, with **15%** actively stating that their approach is 'tick box rather than value add'.[i]

In November 2021, we polled 168 professionals and asked: **"How confident do you feel in describing your conduct and culture journey to the regulator?"** **8%** said they had 'little or no understanding of what drives poor conduct and culture in their firm'. **28%** said that 'conduct risks were identified but not acted upon'. Just **4%** said they had the capability to 'conduct on-going monitoring using real-time data tools that are in place to manage conduct risk'.[ii]

In December 2021, we asked 165 professionals: **"Which expectations are proving to be the most challenging for your firm in terms of the FCA's guidance on the six key expectations that are designed to ensure all customers are treated fairly?"** **62%** stated that their biggest challenge was 'monitoring and evaluation', with **33%** noting it was their ability to 'take practical action'.[iii]

In our most recent webinar in February 2022, looking at the new Consumer Duty, we asked 195 professionals: **"What did they expect to be the key challenges of implementing the new Duty within their firm?"** **40%** said that 'providing board or management with the required evidence to meet regulatory expectations' would be the biggest challenge.[iv]

The failings of the default approach

The default, tick-box model doesn't just fail to deliver against the primary purpose, it also has several unintended consequences.

Perhaps the most significant unintended consequence is that employees and line management resent it.

Employees are generally not stupid; they recognise that this model doesn't actually improve their knowledge and understanding of the legislation. They recognise they are just facilitating the ticking of a box.

Generally, this training is delivered every year, regardless of the individual employee's actual subject-matter knowledge and competency. So, not only is the current approach not fit for purpose, but it also alienates and disenfranchises employees. Many firms admit that in the annual employee engagement survey, questions around training and development score poorly, and many point to their firm's approach to regulatory training as a driver of that sentiment.

If one stops and considers the extent to which an employee's life outside of work is almost entirely personalised and contrasts this with how your firm (probably) treats refresher training, it couldn't be much further apart. No wonder firms are reporting large scale employee compliance fatigue.

In addition to disenfranchising the workforce, the current model is actually quite expensive. Not perhaps in terms of the physical costs of sourcing and distributing the training (often via e-learning), rather in the lost productive time that annual refresher training drives.

"If you conservatively estimated that the average fully costed hourly rate of an employee in the sector was just £30, then 10 hours a year is costing the firm £300 an employee. And this is only the direct costs, it entirely ignores the lost opportunity cost of those 10 hours per employee, when they would otherwise be doing productive revenue-generating work."

To be clear, I am not advocating that firms should cease annual refresher training to reduce these costs. On the contrary, I am advocating there is a much smarter model that has a far lower impact on employee lost time.

The other obvious downfall of the current model – despite the widespread acceptance of its failings – is that it tends to provide management and C-Suite with a false sense of security. How can your first line of defence be anything other than weak if your employees know half of what you and the regulator needs them to know to optimally perform their role?

It is no wonder that IT professionals report that **95%** of cyber security breaches are the direct result of human error, with employees failing to do what they have been trained.[v] The thing is, the nature of the beast means that the consequences of an employee getting a cyber hack response wrong are usually obvious and relatively quickly identified. When your employees fail to spot a vulnerable customer, don't give the correct investment advice, fail to diligently apply KYC rules, get essential procedures wrong, etc., the consequences may never be noticed until it is too late.

Conclusion: what's the alternative?

If, as I purport, the current model is so obviously flawed, why haven't the great and good in the sector dumped it for an alternative? It is a fair question with no single simple answer.

In some instances, firms might not have bought into the benefits of embracing the spirit and letter of regulation. In others, it might just be an issue of bad corporate timing or as senior personnel are scheduled to retire, etc. I would like to think that in the vast majority of cases it's more a function of firms not realising a better tried and tested model exists; one that is actually cheaper than the existing model.

The alternative uses Artificial Intelligence (AI) to assess every employee gently, continually, in the flow of their daily work, taking little more than a minute of their working day. The AI enables you to treat every single employee as an individual, establish strengths and weaknesses, and (with no human intervention) gently repair every employee's individual knowledge and competency gaps.

The outcome is that, over time, we **financially guarantee** that every employee in your firm will learn and retain what you need them to know to become competent in-role. We will also provide independent, granular evidence of this fact, warranted accurate, should the regulator require it at any time.

A biproduct of our approach is that, on average, firms reduce the amount of refresher training delivered each year by 50%. In addition, those who have employees that require CPD credits harvest at least 4 hours, high-quality, independently verified CPD per employee, per annum. What's more, research shows that 9/10 employees prefer this approach to the default model.

With the regulator rightly focused on the culture of a firm – rather than counting ticks in boxes – a continual assessment methodology that delivers authentically against the legal requirements – and is preferred by the employees – is understandably a step in the right direction for a genuine culture of compliance. If your employees genuinely know what they have been trained and can translate this to in-role competence, your current illusion of a first line of defence becomes a reality. It all sounds too good to be true. Of course, it is; if all your firm is seeking is a cheaper and faster way to tick a box.

> "So, not only is the current approach not fit for purpose, but it also alienates and disenfranchises employees

The downside of any successful AI deployment is that it cannot be "done to" the employee base. It must be embraced and for that to happen it must be owned by the executive of that business and communicated and lived by the management. And any employee non-participation must be called out and dealt with immediately. Similarly, the organisation must be prepared to deal with the truth as it becomes known and not brush it under the carpet but deal with it in a timely and professional manner.

"Example: learning that the average level of employee competence with regards to vulnerable customer legislation is just 35% would necessitate immediate intervention and retraining of all those employees presenting less than perhaps 60% competence. That will cost time and money. But it is undeniably the correct action to take. Some firms might prefer not to know…"

It may be a complete coincidence, but our client list, whilst diverse in industry and scale, shares a common theme. Reputation was hard won and fiercely guarded, where employee satisfaction is important and positive culture an endless journey, not another box to tick.

Elephants Don't Forget are world leaders in the use of Artificial Intelligence to improve and deliver best-in-class evidence of employee regulatory compliance. **Learn more.**

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Managing difficult conversations

Nikki Bennett from
Searchlight Insurance Training

There will always be times in our lives where we are faced with conversations that we anticipate will be difficult. Whether in our personal or professional lives, we all tend to put off difficult conversations because of the intensity and complexity of the emotions they tend to evoke.

If you are a manager, you will know that these situations are difficult to avoid. It might seem easier to put off the conversation or even avoid the conversation or situation completely, but there are important reasons why they need to take place. The ability to be able to talk about sensitive and emotive issues is an integral part of effective management and can be critical to managing performance, promoting attendance, and improving the dynamics of your team.

Talking face to face with an employee about strong emotive issues will take most managers out of their comfort zone. Fear of how people will react and whether you will be able to handle their reactions, feelings of vulnerability or concern about a loss of control, can make us all reluctant to raise an issue face-to-face. You may even be concerned that you will not be supported by senior managers, HR department and/or other colleagues if you take steps to address these issues. However, by adopting the right approach, preparing yourself carefully and developing the right skills, mindset and behaviour, you will be able maximise your ability to handle the conversation effectively and steer it to a successful conclusion acceptable to all involved.

Difficult conversations are best managed if they are planned in advance and, where appropriate, carried out privately. This gives some degree of structure and control over the situation. Handling sensitive issues requires a different approach from what is typically used in everyday conversations.

Some key principles to bear in mind when faced with dealing with these situations are as follows:

- Be careful not to 'jump the gun!' – you need to make sure that you are in full possession of the facts. Do not leap to judgement.
- Be an active listener. Ask questions of the other person and listen to their answers. Seek clarification on anything you do not understand.
- Use empathy – consider the situation from the other person's point of view and how they might be feeling
- Assert yourself in a confident and professional manner
- Be prepared to make compromises to negotiate a mutually beneficial outcome
- Avoid aggressive or confrontational language or body language
- Remain calm and as relaxed as possible

> "Remember, it isn't about winning the argument or using your authority to browbeat another into compliance

Remember, it isn't about winning the argument or using your authority to browbeat another into compliance - it's about finding a win-win solution, or at the very least, an amicable agreement.

Even in cases where the outcome is non-negotiable, it is still important to share thoughts and feelings, and whatever the outcome of the conversation, it's imperative to offer support to individuals.

As a leading provider of training solutions to the insurance sector, Searchlight offers a variety of management and leadership-based skills training courses, with workshops running throughout the year. These sessions are specifically designed to equip the business leaders of today, with the knowledge, skills and techniques they need in order to improve their management skills and become and effective leaders.

Our online webinars and face-to-face training sessions are also great way for managers, team leaders and new employees alike, to develop, deliver and monitor their training strategy. To find out more about our training offerings, visit our website at www.searchlightsolutions.co.uk or email us at training@ssluk.net

How to embrace technology but keep your humanity – implementing a RegTech solution

By Bea Stafford from 1st Risk Solutions

Today, the majority of our business and personal lives are dominated by our access to technology. From business platforms, personal apps and third-party providers, technology drives our daily experience. Projections show that the technology industry is set to **exceed $5.3 trillion** this year, as firms continue to push back the boundaries of the possible, and champion digital transformation. Yet the challenge with digital transformation is how to embrace it without losing our humanity. Businesses from all sectors are striving to successfully leverage technology that positively influences and supports their humanity rather than pushes it away.

You may be one of the **84%** of businesses making cybersecurity and resilience a top priority in 2022. If so, and if you are looking to allocate some of your budget to a technological solution that addresses this, then here's how to make those changes and achieve that elusive balance.

Digital Transformation *is* Human Transformation

Implementing new technologies can be problematic. Success has less to do with technology and more to do with managing the cultural and structural challenges that a technological shift produces. Below are 3 key steps to striking a balance, so you can harness digital tools to your advantage whilst remaining human-centric and effective.

Be Clear on Your Business Goals

Rather than focusing on the technological approach, focus on your business needs and objectives. Once you know your goals you can work out what technology serves your business best. It's easy to be distracted by impressive features but you need to ask yourself whether they will be of any use to your business circumstances. Remember a digital solution is a tool to aid efficiency. If for example, you are looking to implement a GRC software solution then it is important to recognise it will not do risk management for you, but rather support your organisation with risk management issues.

Organisations investing in technological solutions need to make sure that they have done their preparation and understand their specific aims before purchasing. Take a look at our article **SHOP SMART: 4 Steps to Successfully Adopting a GRC Solution.**

Automate Tedious Tasks

The key is getting the balance between technology and human input. There will be aspects of your organisation that will benefit from technological assistance, such as analysing and reporting on large data sets. Automation, in this instance, can complement your business by saving time and improving efficiency.

> " Once you know your goals you can work out what technology serves your business best

Nevertheless, technology should be used to *enhance* and not replace. If digital transformation is done successfully, it can improve the effectiveness of human employees too, allowing them to focus on more productive and less tedious tasks. Ensure that the technology introduced to your organisation enables people to be more constructive, efficient, and innovative. That it helps them to remain connected; and feel safe and cared for. The whole organisation needs to fully embrace the new system otherwise it will never be fully adopted.

Manage the Shifts Transformation Creates

It's relatively easy to find a GRC provider that can implement a system for you, but much harder to prepare your organisation to adapt to new technology.

Strong leadership and good communication are essential to embedding a digital transformation. Implementation should be treated as a major change with senior-level support. Business leaders should have a clear vision of what they need a solution to do and what will 'fit' the company. They should collaborate with all departments and stakeholders in the selection, implementation and testing of a new system. So that everyone can get behind it and create true transformation.

It is important to be realistic with the scope and timeframe too, this is not an overnight change. So be sure to allow plenty of time to train, test and become familiar with the new technology. For a more detailed review consult our guide on **The Most Common Pain Points of GRC Implementation – And How to Avoid Them.**

1RS Helping You Get the Balance Right

Our digital tools are designed by risk and compliance practitioners, for risk and compliance professionals. We work in partnership with our clients to select a well-fitting technological solution that meets their specific requirements whilst ensuring complete compliance.

Here at **1RS**, we believe in supporting our clients during every step of their journey – and beyond. To us, customer success means entering a partnership in which everybody wins. Our team will configure your 1RS solution so that it fits the size and needs of your organisation. We then guarantee all structures are correctly and effectively embedded through ongoing monitoring.

Talk to one of our experts further about how you can embrace technology *and* keep your humanity.

FCA strategy for retail mortgages

Nick Baxter from Baxters Business Consultants

While FCA Dear CEO letters are usually targeted at a particular type of regulated firm, they should always be of interest to similar firm types in any connected sector. The recent FCA letter to Retail Mortgage Lenders [‘RMLs’] is no exception. While, of course, it will be scrutinised in detail by the Boards of RMLs, it should also be considered by any person or firm that is involved in arranging or advising on retail mortgages. The identification of the key risks of harm to customers and the FCA expectations of how those risks should be managed and mitigated is simply a ‘must read’ for all those involved in the mortgage industry.

The FCA has a number of strong work themes going on. In this article, I focus on just three, the ones that I consider apply to both lender and intermediary readers of T-CNews, but I am sure the FCA would welcome a wider understanding of all of its work themes across the whole mortgage industry. Intermediaries who introduce mortgages to lenders have always asserted that the client remains theirs, and not the lenders. Now is the time to prove that such a relationship applies, throughout the product life-cycle and, not just when arguing over a refinancing procuration fee.

Looking forward then, what do lenders and intermediaries need to consider in 2022?

Supporting mortgage customers in financial difficulty:

Borrowers, and those aspiring to take out a loan, are facing a ‘perfect storm’. Inflation and rising interest rates will result in more people falling into financial difficulty over the coming months. These factors hit at a time when it is predicted that nearly half of those with mortgages have less than **three** months' worth of essential expenses saved. **L**ending industry media commentators are quick to point out, when discussing increasing rates, that ‘x’ percentage of borrowers hold fixed rate loans and that they are, therefore, shielded from a particular rate rise. However, such shielding is only a temporary respite. Such comments give the illusion of security without taking into account the potential long term position, which will, of course, be further compounded by any further rate increases. To help RMLs provide short and long term support to customers, the FCA has issued Tailored Support Guidance. This is designed to ensure that customers receive appropriate forbearance based on their individual circumstances. All FCA firms, RMLs and intermediaries, should recognise the characteristics of vulnerability and respond to customers’ individual particular needs.

Managing maturing interest-only mortgages:

There are around 1.5 million full interest only and part capital repayment outstanding mortgage accounts in the UK. In the next few years, at least up to a decade, increasing numbers will require repayment. The peak is forecast for 2032! Anecdotal evidence highlights that many borrowers reaching the end of their mortgage term are facing full repayment demands, particularly where the mortgagee is a ‘closed book’ lender.

Again, this is not just a lender issue, it makes sense that the original mortgage arranger also commits to a communication strategy that gives customers enough time to act where there is doubt about their ability to repay their interest only mortgage. This will help customers have a better understanding of their situation, responsibilities, and options. It is always easier to replace a mortgage before the stressed situation of a repayment demand!

Responsible lending:

A failure to consider responsible lending has always risked consumers being subject to unintentional harms. Factors, such as rising interest rates, and other inflationary pressures continue to put additional strains on customers’ disposable income, and this will continue in the coming months and years. From the first version of MCOB [MCOB 11] and then subsequently in DP09/03 it was clear that the ultimate responsibility for affordability lies with the lender, irrespective of the distribution channel chosen. However, given that many consumers rely heavily on advice from intermediaries it is also incumbent on intermediaries to assess an applicant’s ability to repay, particularly in these times of increasing wider costs.

While the RML Dear CEO letter may be addressed to a particular audience it highlights the direction of travel for all those in the mortgage industry. Time to read and act!

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

Do it with passion or not at all!

By Michelle Hoskin from Standards International

“Decision-making seems to be a real stumbling block for many business owners – I don’t know why that is, as they seem to make such an easy job of it when they are doing it every day on behalf of their clients.

Vision. It’s a tiny word that has been well and truly drowned out by all the noise of the last few years – Covid-19, lockdowns, government decisions, continued study and exams, the day-to-day complexities of running a professional practice in financial services, and not to mention, the war continuing to rage through Ukraine.

There is no sign that this noise is letting up any time soon, which ignites a constant need to resist challenges and distractions. Without wanting to sound like a broken record (here I go again!): we all know that the only way to create any level of success is to keep all those playing the long game firing on all cylinders, with their batteries charged, feeling so good it’s as if they have been shot out of a rocket (as opposed to shot by a rocket!).

As a professional in the area of compliance, I know that many of you strive for levels of success that reach way past the regulatory levels of ‘good advice’ – as it is a level of ‘excellence’ that drives you to push the boundaries and have those you support also driving for more!

You play a fundamental role in shaping a true profession – as the guide, the sounding board, the driver of excellence, the ‘good cop’ and ‘bad cop’, and the motivator of leaders – because it is my belief that, while we might hate to admit it, we are still very much an industry.

So, let me ask you: how energised are you? Are your batteries charged or are you running on empty? Do you feel like you have been shot out of a rocket or like you’ve just been shot by one? I suspect the latter is true. But how come?

Well, first and foremost, we are absolutely exhausted! I know we are because this week alone I have spoken to three financial planners who are taking ‘time out’ from their businesses because quite frankly they are on their knees, and two business/compliance managers who’ve resigned from their roles – and it is still only Wednesday!

Back in 2019, I was asked to speak at a conference where the theme was ‘energise advice’! Honestly, I actually thought it was a joke… and when I was asked how I intended to do that, my response was quite simple. To energise advice, we have to energise those giving it.

And not only that – and probably more importantly – we have to energise those ‘advising’, those who are giving it. That would be you!

I see it every day. The demands and challenges that you face to get your firms to finally see what you see, to embrace the key elements of their business that you know are being totally neglected.

There is light at the end of the tunnel!

The best thing about the future is that it hasn't happened yet. The even better thing about the future is that, when it does happen, it is going to be one day at a time. Each of us are faced with enough distractions to sink a battleship right now, so let's kick the non-essential distractions into touch and start as we mean to go on.

Now, I might not have a magic wand (well, I do!), but this one is all on you. I believe that, right now, you are holding the magic wand to help solve the issues you need to address – you just need to be shown where to point it and how to use it.

It's time to not just survive but thrive. To do this, you need to be firing on all cylinders... your batteries need to be charged, the barrel loaded and ready to feel like we have literally been shot out of that rocket!

But there is a BUT, and it is a big BUT.

It has been tough and I'm under no illusions that we are done – the pressures will keep coming, no one has had it easy and none of us are getting out of this unscathed. This is why our purpose and what we are trying to achieve have to be greater than the pain we are going to feel achieving it.

Let me ask – who or what is on the mind of your clients or the leaders that you support when they make decisions? Is it themselves, their family, their lifestyle, their clients, their team or even their peers? Or are they making decisions in the best interests of their business as a whole? Decision-making seems to be a real stumbling block for many business owners – I don't know why that is, as they seem to make such an easy job of it when they are doing it every day on behalf of their clients. The truth is, every decision we make has to do one job and one job only: take us and all who share our journey with us one step closer to achieving our true vision. Nothing else – just that!

It's pretty simple once the big decisions have been made – make the tough calls and the little decisions will make themselves.

This of course needs your vision to be crystal clear; it has to be seen and understood by all those who need to play their part. Seen with laser clarity and like your lives depends on it! A watered-down version of nothingness will be sure to get washed up on the 'I once had a dream' shore of life.

In your role, it is almost a given that at times you'll feel like you are being pulled from pillar to post, fighting a losing battle and receiving very little appreciation. But do not give up – stay focused, don't get distracted or disheartened, and when you feel you are constantly putting out fires, remember there will always be things and probably people who seem hell-bent in keeping you in the 'regulatory' box.

So, when they finally realise that you were 'right all along', just make sure that the passion and enthusiasm you have for the role and for financial services as a whole are shining bright.

And if that doesn't keep you focused, repeat after me: my purpose is and will always be greater than my pain… so get the hell out of my way, I've got stuff to do!

Is it worth it?

By Derek Davies

Like all disciplines and areas of work, T&C changes and evolves over time in response to what the industry and regulators see as the current and emerging risks to customers, and to businesses.
At present there is a focus on the potential implications of the FCA's new Consumer Duty requirements, aimed at meeting the obligation to "deliver good outcomes for retail customers."
Some believe this means firms will need to move to a more regular assessment of their client-facing staff, involving various levels of technology. However, rather than heralding the death knell of traditional T&C, parts of that process will be more important than ever to support the FCA's required outcomes of consumer support and consumer understanding.
I'm sure that what the FCA have in mind is not simply getting a client to sign a document to say that they understand everything, but rather to look for evidence from the advice process that this is in fact the case.
One way of achieving this is through observations, which is something that no amount of technology can accurately assess, regardless of the amount of artificial intelligence involved. However, despite the potential benefits for advisers, businesses and those who deal with the FCA on their behalf, there are challenges associated with observations, and some firm's might wonder if it's worth it.

Challenges

1) Client Advice Meetings

The basis of observing a client advice meeting has changed over the past two years, with the effects of the pandemic meaning more observations have been undertaken digitally, either live via programs like Skype or Microsoft Teams, or via recordings that are later assessed.
One of the challenges for T&C supervisors has been the fact that, not only have some recording systems used been for voice only, but even with a video link, meetings have not flowed in the same way that they would in a face-to-face scenario. It has been a learning curve for all concerned, and while a lessening in Covid cases may mean more face-to-face observations do take place, I suspect remote observations will be a permanent feature of T&C for the future.
Apart from that, the challenge in the context of the Customer Duty requirements will be the focus on customer understanding, and the observation of a client advice meeting, rather than a fact-find, would be most appropriate.
This would allow T&C supervisors to assess the way information is provided, the explanations made by advisers and the analogies used to aid understanding. Supervisors will also be able to identify and address any learning points, and the process would be documented to supply evidence to the FCA of both the adviser's and the business's commitment to the Customer Duty requirements.

Also, part of the role of a T&C supervisor is to highlight and pass on both poor and best practice to those they supervise, so that the entire team improves its approach to the customer journey, including their understanding of the advice provided, the products, or services and fees.

However, another challenge is with new advisers, or firms that rely on new, rather than existing business, where client advice meetings can be relatively rare. Even recent studies suggest a lead to business conversion rate for new clients can be 20% or less. What that means in practice is that for every 10 fact finding meetings, there would be at most 2 client advice meetings available for observation. Even with existing clients, where the ratio is higher, it is unlikely to be 100%. The effect of this is that T&C supervisors have to be able to reorganise their otherwise carefully planned diaries, often at short notice, to accommodate the limited number of such opportunities.

2) Role Plays

This brings me to another possibility, and another challenge, the use of role plays. Love them or hate them, they are another potential tool to assess how well advisers explain things to customers. They can also be specifically tailored to focus on a particular area of understanding, where there are any general or individual concerns.

> “One way of achieving this is through observations, which is something that no amount of technology can accurately assess, regardless of the amount of artificial intelligence involved.

However, role plays are only as good as the scenarios used, and the people who play the part of a customer. One of the best role-plays I ever attended was where actors were used to play the part of the customer, so they were strangers to the adviser, and was closer to the reality of a new customer meeting. However, while that works well for fact-find meetings, where you want to re-create a client advice meeting, where the adviser and the customer already know each other, that distance in the relationship is not helpful.

Often therefore, such roles are played by others in the same firm, and often by the colleagues or managers of those being assessed, who will have real or unconscious biases towards both the adviser and the process.

3) Adviser or Business Resistance

I had been surprised, on more than one occasion, during my time as a T&C supervisor, by the effect that any form of observation can have on otherwise competent, articulate, professional advisers.

I was once introduced by such an adviser, to one of his good professional clients, as his Training and Incontinence Manager; not a role I aspired to. On another occasion, an adviser I was observing told a group of employees the pension funds they invest in “went up and down, it’s not rocket science.” The feedback on both those observations was interesting to say the least, including a brief explanation of the fact that rockets do also go up and down, so another analogy might be better.

Let’s face it, it is a challenge to get advisers to buy-in to the observation process, and this can be made even worse by the attitude of parts of the business to T&C. Unfortunately, there were and may still be, those who job is to meet sales targets seeing T&C in all its forms as an intrusion into that process, rather than an integral part of it, ensuring customers and the business are protected.

Some of this depends on where T&C sits within a business. I have worked for different organisations that have placed T&C in HR, with an emphasis on the training, in the sales part of the business, with an emphasis on adviser improvement, and as part of the Compliance team, where the focus was on meeting the scheme requirements.

Of the three I prefer T&C to be part of the Compliance team, with the person responsible for that function not being part of the operational element of the business. In a larger firm, this could be a non-executive director, but the smaller the operation, the more difficult it is to separate the two.

Is it worth it?

The FCA's Guided Sales Model and what it could mean for advice

By Henry Tapper CEO from Age Wage

The FCA has been conducting a kind of crypto-consultation on what it calls its guidance sales model. The model has had some exposure in the trade press and there are rumours that the Treasury will insert proposals into the Queens Speech in May. This article is based on my personal opinion of the value of both advice and guidance having been regulated to give advice between 1988 and 2005 and being regulated to make guided introductions today. I should say that the Guided Sales Model the FCA has in mind relates to pensions and specifically the decisions people take when working out what to do with DC pension pots at the end of a savings career.

I appear to be in a minority as I'm confident in both understanding and articulating the difference between guidance and advice. Advice is the delivery of a definitive course of action while guidance is the provision of factual information to help someone decide. You might call advice an instruction and guidance an influence.

In my early days as an adviser (1983-1988) before polarisation, I preferred to call myself an insurance salesman than a financial adviser because that seemed easier for my clients to understand. I told them to insure themselves against living too long, dying too soon and losing their income through ill-health. Investment advice started off simply enough – you either bought a guarantee with no profit or you invested with-profits, the latter being the racier option. In my earliest days we were still selling products that paid a commission as a percentage of the sum assured rather than the annual premium.

This wasn't so far away from the "Guided Sales Model" proposed by the FCA where a representative of a provider's job is to encourage decision making by providing factual information.

The critical success factor of the guided sales model is that the client or customer takes a decision of some kind, even if that action is a positive decision to do nothing. My criticism of Pension Wise is not that only 14% of potential customers use them, but that of the 90% of those who use Pension Wise and say that it is a great service, so little is known of what change Pension Wise made in decision making.

The reality is that Pension Wise cannot record a decision as it has no application or switch forms, no direct debits or cancellation notices. In short it is not a guided sales model but an information booth. So when the chips are down and hard decisions need to be made, we hear very little about Pension Wise. In my 5 years providing support to steelworkers at BSPS, I have not had one conversation that involved MaPS or Pension Wise.

By contrast, the FCA – in its guided sales model, seems to be advocating a classic sales funnel. Certainly, the language is more akin to the sales training that I received in the early eighties than anything I have read in COBS. This appears to be a recognition from the FCA of the scale of the job of work to be done. With 700,000 savers going through a crystallisation event each year, the need to process inquiries in an efficient way is in stark contrast to the leisurely progress of a Pension Wise interview.

This may sound shocking to advisers who have been weaned off product sales, but we must remember that all the customers who would use the Guided Sales Process have already purchased and may be considered to be experienced investors, at least in terms of the time that's elapsed since they made their original purchase.

> "What remains to be seen is whether the Guided Sales Process is acceptable to the man on the Clapham Omnibus

This industrialisation of guidance is of course only possible if the outcomes are deemed to conform to the provider's consumer duty. Here the investment pathways play an important part, being guided outcomes that are deemed the provider's best shot at meeting the various needs of the average consumer. However, this may be the Guided Sales Model's weakness as consumer have so far found little appetite for following the pathways, to use Rebecca O'Connor of Interactive Investor's nice phrase, for them "the only pathway is their own".

Undoubtedly there is something missing and for those of us who have been schooled in insurance rather than wealth management, that something is the certainty of a pension that lasts as long as the customer does. If the only option that gives that is the dreaded "annuity" which the Chancellor warned "nobody would ever have to purchase again", then there appears to be a product missing from the pathways, specifically something that looks like an annuity without the guarantees. To use the parlance in place when I started in my sales career – a with-profits annuity.

This phrase is often discussed when the conversation turns to CDC and may well find favour again, possible as a "pooled annuity fund".

So where does this leave the financial adviser. Well probably on the other side of an increasingly polarised argument where insurers return to selling insured products and wealth managers sell bespoke solutions. What has changed since the 1980s is that most advisers now know how to manage wealth and do so effectively. The nature of their relationship with their clients is much like that of private client stockbrokers 40 years ago.

The gulf between those who consciously buy financial advice and those who are sold insurance policies through a Guided Sales Process returns us to the point at which I started with the man from the Pru being replaced by a bot. This may seem dystopian but my memories of the early days of my career suggest that some things don't change, good quality advice has never been generally available nor is it likely to be. Which is just as well for advisers.

What remains to be seen is whether the Guided Sales Process is acceptable to the man on the Clapham Omnibus, or whether he will demand what he thought he'd paid for, an income from his savings which amounts to a "wage for life". In any event , advisers have nothing to fear from stronger guidance, it simply shows advice to its true advantage.

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