For People Development and People Regulation Personnel within Financial Services

T-C NEWS

COMPETENCE •EXPERTISE • PROFESSIONALISM

JULY 2022

Measuring employee competence

Adrian Harvey from Elephants Don't Forget

IN THIS ISSUE

T-CNEWS

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Welcome to the Summer edition of T-CNews. It turns out to be a very busy time in the world of people aspects of regulation. The FCA initiative on the new Consumer Duty is asking firms to review their approaches with a clear message not to assume that what you have been doing will satisfy them in future. There is no doubt that the future focus is on the needs of the customer and ensuring that firms enable them to make informed decisions and support them with excellent service. This will have to be backed up by evidential proof. The Appointed Representative Regime is also scheduled for a shake up and at the end of July Firms offering pre-paid funeral plans come into the world of regulation. As firms still wrestle with dealing with Covid we also look at how this may affect some customers and the way we go about planning our business. Plenty to get your teeth into. Enjoy. **Jeff Abbott**

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Technology is the way forward

By Andy Snook from Performance Evaluations

A few months ago, I authored an article explaining my plans to bring a new solution using technology into my T&C Scheme, which was published in the October 2021 edition of T-C News under the title of "Expanding a T&C Scheme", which was implemented in January this year. So, with the best part of six months use under my belt, I thought that now would be a suitable time to provide an update on progress.

There were two elements to this solution: The first was a complete Continuous Personal Development programme allowing the T&C scheme to record a range of activities and events, set up a variety of tests including tests specific to individual needs, and provide on-demand management information.

Part of my role is to source CPD events and offer them to the scheme members. The new solution allows me to enter these events in advance whilst at the same time sending out diary invites. Post-event I can centrally load the event learning points, slides, recording if available, CPD certificate(s), and assign the event to the attendees. All they need to do is to individually add a reflective statement. Of course, they can add their own events too, as I cannot, and should not either, source all their CPD for them. This gives me the benefit of both having MI which I can then include in the second element of the new solution, whilst at the same time it provides a library of learning events which those who could not attend can access later, or which can be used as part of our training programme. What hasn't worked quite so well is the intended change of behaviour of some of the scheme members, in that whilst they have been encouraged to complete their reflective statements post event, some are still leaving this until the end of the month, which means that when I look at the CPD records, I am finding gaps which then need to be chased up. But overall, there has been a significant improvement in record keeping, having total oversight at any time, and efficiencies gained both in time and process.

The second element for this solution allows me to house all the various Key Performance Indicators in the scheme and record the outputs. This took a bit longer than the CPD element to set up as it needed to be built bespoke to my scheme and incorporate the different KPI's for the line managers, team leaders, consultants, para-planners, and support team. Yes, I did get my way by including them in the scheme, both for KPI's and for CPD, although we use the latter more as a record of learning and training undertaken than specifically for recording CPD.

I now receive a continuous flow of information as this years' T&C Scheme has empowered the line managers and team leaders to become more active in monitoring their teams' work. In doing so we have extended the Compliance team's oversight by getting other people, specifically those with better on the job knowledge at local level, to do the monitoring for us. So, in addition to to get, I now get reports on work checked, work volumes, and local training and development needs. All these are added to the individual KPI's, and then RAG-rated in accordance with the T&C scheme rules. They are then risk rated overall. There is a considerable amount of information for fifty scheme members, and each input is manual. But the outputs are phenomenal.

> "The time and effort in doing so, and the benefits gained, far outweigh the costs

Imagine having the ability, at the push of a button, to have any combination of management information you require. You could request outputs for any range of KPI's, or specific KPI's, by any team, or set of individuals, over any date range, by any type of rating. Trend analysis is now so simple. Management reports are now so simple. Currently I provide each line manager with a monthly KPI report for each member of their team, together with an overview of the entire team's KPI's. Each KPI's rating is supported by the reason for the rating and backed up by the evidence that I have been provided with. The next quarterly board report will take about an hour to compile, and only because the MI will need to be formatted to condense three months' worth of KPI outputs for fifty scheme members into something that does not resemble a small book. Whilst the benefits are massive overall, my next goal is to get the line managers and team leaders to do their own inputs, as currently this is all being done by myself. That said, I did need to make sure everything worked and make changes as needed before I extend the work to my colleagues.

One final thing. The article I referred to talked about expansion. I can easily accommodate any number of scheme members as the business continues to expand and take on more employees. Already this year we have taken on seven people and expect to take on more. I also talked about taking on the scheme for another section of the business, which is both exciting and, unfortunately, on hold.

So, if you are looking at improving what your current T&C Scheme can deliver, shop around for solutions that embrace technology. The time and effort in doing so, and the benefits gained, far outweigh the costs

Setting achievement goals in your mortgage business

By Paul Archer from Archer Training

> "Set the goal with your conscious cognitive mind and let fate or your unconscious figure out how to achieve them

How to create more of what you want in your mortgage advisory practice. This is the first part of a two part article.

Long Term Visioning

We start with long term visioning. How long is long? Well, that's entirely up to you. Some people set lifelong goals; however, life can be too unpredictable, so 5 years suit me. I've set long term visions every 5th year since 1996, and they are eerily accurate.

The first one set during my first NLP training in London was all about setting up my own consultancy business. As NLP likes to call it, my well-formed outcome was sitting in my home office opening a letter and inside was a cheque from a client settling an invoice in full. I vividly remember in late 2000 opening an envelope with my son Euan by my side, with a cheque from the Bradford and Bingley for some training I did for them that summer.

A vision I set in 2015 was standing in front of a large monitor presenting to hundreds of people across the world via the internet. Ironically 5 years later, in the height of the first lockdown, I found myself standing in front of an extensive computer monitor teaching sales skills to salespeople in the USA.

You don't need to know how these are going to be fulfilled. Set the goal with your conscious cognitive mind and let fate or your unconscious figure out how to achieve them. And it will so long as you plant it well in your timeline. More on well-formed outcomes, timelines and NLP later, but next, let's get into annual goal setting.

Vision Boards

But before we go, the last word on Vision Boards. I like these and have used them from time to time as people are inherently visual in their make-up. A goals board or vision board consists of a poster-sized print full of pictures and visuals depicting your vision. Cutouts from magazines usually represent physical wants such as a new car or a detached house in the country. The constant reminder of seeing your board on your kitchen wall can be stimulating and very motivational.

It also cements my thinking that visions and long-term goals can be planted in the conscious mind but left to the unconscious mind to figure out how to get there.

Set SMART Annual Goals

This is where the serious stuff starts, Setting annual goals for our business. Now I'm sure you may have read or heard about SMART goals and objectives. Google it, and you'll find numerous resources on the topic as it is well received and accepted.

Goals need to be set each calendar year. These goals should be SMART but not SMART as you know it. My SMART includes a few more parameters that will help you pen and form really well-formed outcomes or goals.

laid out to achieve them. They don't need to be left to the unconscious to sort out. You need a plan, and every goal needs quarterly actions and mini objectives to achieve them. I call these Strategic Next Actions or SNAs, which evolve from goals.

Let's get into how we formulate these goals with our SMART method.

S – Specific, Simple and Stretching

Specific

A specific goal is detailed and readily determined. The more specific, the better because it becomes more of a vision than a goal if it's too big and global. There's nothing wrong with those, but we're looking at yearly goals here, not lifetime ambitions.

The trick is to learn chunk sizes. Chunk sizes come from NLP and allow you to recognise if something is a big chunk or small. The aim is to get the goal as specific as possible, so we need to chunk them down. Try asking yourself the question: "to achieve this goal, what's getting in the way?".

The resulting answers will become mini goals to allow you to achieve the bigger goal. You've successfully chunked it down.

The other issue about a specific goal is how it's defined. For example, many people want to have an income goal for their business and express this vaguely. Is it profit, turnover, salary, bonus or growth? It's good, to be exact.

Simple

Simple allows you to quickly figure out how to achieve it. The goal should be simply stated to determine your strategic next actions (SNAs) rather than using high convoluted words that just confuse.

Stretching

Finally stretching. Some people call it exciting, others stretching. This makes sense as a goal should get those motivational chemicals mixing in your mind. Still, not all goals can excite, particularly if they're annual business goals. Welcome to the real world. However, a stretching goal makes logical sense and can help you achieve great results. The secret is to get a balance.

For my 50th birthday, I was given a three-hour excursion with a Police Traffic Officer in his speedy Volvo. Was I excited? The first lesson was how to control a car whilst skidding, then he taught us how to drive really fast. The finale of the class was to take the wheel of his hideously fast Volvo and go as fast as I could along a public motorway. I tell you; I was scared. A friend of mine came along to keep me company, and this was great as we could make mistakes together and not feel so bad. But to make a mistake when driving at more than 100mph on a public highway could be dangerous. Very dangerous. "You take the wheel first," said the policeman. "And take us as fast as you can, but don't forget what I taught you." Great advice, especially the negative, so my brain immediately forgot everything he taught me.

But I knew a bit about setting goals, so I told myself that I would exceed 115mph. I knew my limits!

Off I went cruising at 70mph. "OK," said the policeman. "Let's take it up". And off I went 80... 90... 100mph... 110... 118mph. Was I thrilled? Safe and relieved, I slowed down and let my friend David have a go.

Within a minute, he was doing 136mph. I asked him afterwards how he managed it. David said that after I'd gone first and he could see himself going faster than me, it was now more manageable.

So, stretch your goals – you'll be amazed at what you are capable of. Instead of focusing around 115mph, I should have targeted myself for 130. Just that little bit faster.

M – Measurable and Meaningful

Measurable

Most business textbooks will show you how to measure your objectives and goals. Metrics, Key Performance Indicators (KPIs), performance measures are all things you should do. The oldest adage is what gets measured gets done and is true in business.

These kinds of measurements are great for performance objectives and strategies. But some goals are challenging to measure objectively.

For example, you may set a goal to achieve £100,000 of net profit for your business this year. That's easily measured; just ask your accountant. Of course, there will be some complexities, but relatively simple to measure the success.

However, not every goal shall be written this way. As we shall discuss later in this piece, there's more to success than just a monetary value. There's your health. What would happen if you achieved this goal and accomplish burnout in your mental health?

Well-Formed Outcomes

Let me share with you another measurement tactic that'll allow you to know when you've achieved a relatively chunky goal. This method works well with reasonably big goals. It's a "sledgehammer for a nut" solution for most goals you set in your mortgage business.

Let me explain how it works.

A well-formed outcome is your goal. NLP calls it this, and I like it. Rather than setting a goal set in the future, you write one that has already been done. A well-formed outcome that you can already see, feel, hear, smell and possibly taste. My example from earlier with the cheque was a well-formed outcome.

When I set the goal, I imagined the situation in the future when I had achieved the goal. The timescale was largely flexible, but I clearly defined precisely when I had accomplished the goal.

Written in the present tense as opposed to the future. I'm sitting on my office chair, in my study, opening an envelope. It's daylight outside; the postman has just delivered. My children are around me; everyone is happy and healthy. I'm relaxed, worthy and humble as I open the envelope to reveal a cheque written by a client in full settlement for some work carried out.

I'm clear to what I can see, hear. I know how I feel. Smell and taste are not involved, but that's OK, and I'm using all the senses to predict the outcome. It's easy to imagine, and I keep reminding myself what it looks like. Every time I picture the scene, it gets increasingly accurate in my minds' eye until it becomes completely believable.

When it happened on that September day in 2000, Euan wasn't in the picture, so I invited him in from the playroom to see what Daddy was up to. The goal was achieved, and the outcome became real. Pretty uncanny, you might say, but totally accurate. That's the power of well-formed outcomes. They're also effortless to measure and not a metric in place.

Meaningful

Meaningful is my second M. This is important and provides further motivation, another M, but we have enough of those. Meaningful relates to the concept that the goal is yours and doesn't belong to anyone else. Is it significant for you or benefits a third party who has influenced you to set the goal? The best example is a career goal set by your parents when you left Uni or College. Did you really want to be a corporate lawyer working all the hours in the city? Or was it more meaningful for your parents? Now pleasing your parents is a noble objective but setting a goal to achieve something that has little meaning to yourself will only end in unhappiness someday.

A – Achievable, Act As If, All Areas

Achievable

Three for you under the A.

Achievable has done the rounds plenty of times and is often criticised for directly contrasting with making your goal stretching. Suppose your question is that the goal you're setting is not achievable. In that case, you will dilute it to suit your current opinions of your capability. Your limiting beliefs may drag you down, and that's a huge shame. If you think this affects your achievements, do some work on these first. Sometimes having a goal with no idea how to achieve it spurs you on because you will figure out how to do it.

I admire people who say I've set this goal or that goal, but I'm not sure how to do it yet. It probably won't be too difficult. I can learn how to do that; I'll figure it out shortly.

Act As If

As if, is far more motivational and inspirational too. Act as if you have already achieved it takes you to a different plane. Express your goal "as if" you've done it. A little like my cheque and envelope story from earlier. Present tense the vocabulary. "I am here" or "I do this" or "I earn this".

All Areas of Your Life

All areas of your life ensure you balance your goals. Whenever I set my annual goals, I always ensure my personal life, welfare, fitness, relationships are all catered for in my goals. I'm not a machine; I'm a human who has multiple areas of my life that link together like a jigsaw.

My health, for example, will affect my work ethic. My fitness influences the energy I must have to perform in front of 100 people. They are connected. After the famous cowboy film starring Yul Brynner and countless other stars, I call the areas the Magnificent Seven.

These are my 7 key areas you may want to set your annual goals. In no particular order:

Personal development goals – your CPD and "saw sharpening" activities

Revenue goals for your mortgage advising business

Maximising technology in your business

Business generation goals

Health, welfare, fitness and spiritual goals

Family, friends and social goals

Publishing and content creation goals

You may wish to add some categories that suit you. Some people add relationship goals, materialist goals. The choice is yours but bear in mind that these are annual goals and haven't yet been converted to objectives that you can achieve each quarter.

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.

Modernising regulation – a work still in progress!

By Chris Leslie, Chief Executive from Credit Services Association

More than a decade on from the global financial crisis, you'd have thought that the regulatory architecture extending across UK financial services would be relatively settled. We appear, after all, to have learned lessons about the risks of 'box ticking', not seeing the wood for the trees, and the superiority of an outcomes-based 'prudential' approach. And although Brexit has altered the cast list of decision-makers, the general approach has been fairly constant.

Yet listen closely and you can still detect movement in the tectonic plates. The Government's forthcoming Financial Services Bill may not have massive or immediate implications for the credit and collections sector, but their plan to give the FCA a new objective for international competitiveness is designed, over time, to offset what they perceive as the 'gold-plating' of the existing EU-UK regulatory regime in favour of rules that give British firms a comparative 'edge'.

The post-pandemic supply chain and consequent cost of living pressures could well drive more customers towards credit and debt – so it is not surprising that Ministers are pressing ahead with part two of their 'debt respite scheme' in the form of a new Statutory Debt Repayment Plan (SDRP). The proposal is still out for consultation so could change but – in short – it aims to give individuals experiencing debt problems the chance to combine sums they owe into a single plan, administered by their debt adviser, to be repaid to creditors (big and small) over a longer period of time. The theory is that this will tackle a 'gap' in the existing solutions available for customers for whom a voluntary debt management plan or debt relief order may not be either suitable or sustainable.

Putting to one side that creditors will not be repaid in full and so the term 'repayment plan' is a bit of a misnomer (creditors face a 10% admin fee deducted and interest foregone), this proposal is quite an activist piece of regulatory change, extending to small and ad hoc creditors not just the banks, mandating the split between 'priority' and 'non-priority' creditors and placing significant responsibility on the shoulders of the debt advice community too. So SDRP will change the credit landscape.

But perhaps the most significant change on the horizon is the roll-out of the FCA's 'Consumer Duty' across the financial services sector. At first glance many have queried whether this is merely a refresh of the 'treating customers fairly' regime. But the regulator is adamant it represents a 'paradigm shift' in their expectations. There isn't yet a private right of action for breaches of principles, but the FCA now expects all firms to be able to prove that they understand their customers, their objectives and how the relationship affects them – how they communicate, how third parties affect customers, all revolving around the concept of "good outcomes" for clients.

Personally, I think the concept of a 'fair' outcome is preferable to 'good', not least because a customer being asked to repay a debt, or even being enforced against, is unlikely to view that as 'good'. The fulfilment of all responsibilities in a fair contract is not an unreasonable expectation. And the choice of words really does matter. For instance, using the term 'consumer' can lose sight of the fact that as well as their rights as a consumer, in relation to the repayment of a debt the consumer is a 'debtor' and has clear obligations to the creditor too. It may not be as retail-friendly, but in strict policy terms it is important to recognise the reality of the transaction.

But if the regulatory approach is truly shifting up a gear towards a fully principles-based approach, then updating some of the older constructs governing consumer credit must be a priority. The 1974 Consumer Credit Act is nearing its fiftieth birthday, and prescribes in minute detail some of the wording and form of notices customers must be sent, even though these can be highly confusing and can cause more worry for many customers rather than less.

The Act still forces firms to send correspondence in situations where they know the customer is no longer at an address. Post contractual information requirements – such as Notices of Sums in Arrears – often don't reflect the flexible repayment plans customers have already been given. The current sticking-plaster solution from regulators, called 'layering', suggests that a further note should be added to the already large envelope telling the customer not to take the Notices of Sums in Arrears as gospel, which is a ridiculous and confusing state of affairs.

It is welcome news that Treasury Ministers have announced their intention to reform the Act and align rule-making within the FCAs remit - a necessary step that should be aligned with the roll-out of the 'consumer duty' if that is to work effectively.

The FCA have recognised the need to reform the Act for some time and while it is positive that Ministers now agree, the signs are there will be a long consultation process and perhaps even longer before legislative time is found to make the actual changes. So the detailed case remains to be made – and at the Credit Services Association conference at Radisson Blu, Manchester Airport on 15 September, the need to dispel customer confusion and boost engagement will be central to our campaigning goals. Regulation is changing – but there is still a long way to go.

Consumer Duty – coming to a fact find near you

By Tony Catt from TC Compliance

Over the years, the FCA has been fighting a (losing) battle to try to stop consumers receiving poor value and poor advice relating to financial services.

The FCA has tried various different initiatives over the years. These include Treating Customers Fairly (TCF), Retail Distribution Review (RDR), MiFID and MiFID II, Senior Managers & Certification Regime (SM&CR) and now is looking at Consumer Duty – no acronym known at this time.

Most advisers want to do “the right thing”. They act ethically towards their clients and always have. The alphabet soup simply gives them an opportunity to review what they are already doing.

Probably, the most far-reaching initiative was the RDR. It brought in a higher qualification entry point for advisers and also tried to get rid of commission.

My experience is that more qualified advisers tend to be better practitioners because they are more aware of the need to take care with the positive and negative points involved in any advice given and the actions that can be taken.

Getting rid of commission was rather more difficult. Ideally, the FCA would like advisers to move towards a proper fee structure for services rather than payment for sales. The payment for sales was seen as a route cause of poor advice and poor consumer outcomes.

I can remember meeting an adviser in 2001. Just after I had started my own practice. I wanted to try to work towards a fee structure and was excited when the adviser told me that he only works on fees. Brilliant, what were his rates? Hourly rates? Different for various services? He said that his fees for investments are 3% initial and 0.5% per year ongoing. He spoke with no irony and I am not sure whether he noticed my frustration and disappointment.

So, when RDR raised this issue, it was little surprise that commission and trail commission was re-badged as adviser fees. This still remains important to adviser firms as the more established firms have an income stream and therefore a future re-sale value.

MiFID ii tried to change this a little by making it necessary for advisers to clearly state their charges for reviews and what the clients can expect to receive in their review. A step in the right direction.

Consumer duty is being brought in as in the FCA’s experience, financial services markets do not always work well to provide adequate levels of consumer protection, and competition does not always work effectively in consumers' interests. Where this happens, consumers may suffer harm.

- find it harder to make an informed or timely decision.
- receive unsatisfactory support from their provider
- buy products and services that are inappropriate for their needs, of inadequate quality, are too risky or otherwise harmful

The FCA wants to bring about a fairer, more consumer-focused and level playing field in which:

- firms are consistently placing their customers' interests at the centre of their businesses
- competition is effective in driving market-wide benefits, with firms competing to attract and retain customers based on high standards and customer satisfaction, and innovate in pursuit of good consumer outcomes.
- FCA regulation keeps up with technological change and market developments so that:
- ◊ consumers are protected from new and emerging harms, and
- ◊ firms can innovate to find new ways of serving their customers with certainty of our regulatory expectations
- firms extend their focus beyond ensuring narrow compliance with specific rules, to also focus on delivering good outcomes for customers
- firms consider the needs of their customers – including those in vulnerable circumstances – and how they behave, at every stage of the product/service lifecycle
- firms continuously learn from their growing focus on and awareness of what their customers experience
- in line with our work on diversity and inclusion, firms act to meet the diverse needs of their customers
- consumers get the products and services they need, which are fit for purpose, provide fair value and do not cause them harm
- consumers understand how to use their products and services and receive the support they need to do so, and
- consumers get prompt and appropriate redress when it is due to them, with reduced misconduct ultimately reducing redress costs

The Consumer Duty will do this, building on our previous interventions in markets and recognising the changing environment for consumers, by:

- explicitly setting a higher standard of care across all retail markets, informed by the FCA work on behavioural biases and vulnerability
- extending rules focused on product governance and fair value, which already exist in certain sectors, across all sectors
- focusing on matters of market practice (eg sludge practice) that interfere in consumer decision making and, by doing so, cause harm

ensuring firms consider the needs of their customers – including those with characteristics of vulnerability – and how they behave, at every stage of the product or service lifecycle, and

- requiring all firms to focus on good customer outcomes and whether those outcomes are met

> "These issues need to be discovered at the outset of the advice process as that should govern how the adviser treats the client for the remainder of the relationship

The FCA 2021/22 Business Plan set out that improving consumer outcomes through the new Consumer Duty was 1 of 5 consumer priorities. The Consumer Duty also directly informs and supports the other 4.

- Enabling consumer to make effective investment decisions.
- Ensuring consumer credit markets work well.
- Delivering fair value in a digital age.
- Making payment safe and accessible.

Transparency of information is one of the most important issues within consumer duty.

Within the investment world, the Sustainable Finance Directive Regulation (SFDR) has introduced greater need for funds managers and providers to be clearer about the contents of their funds and products. This mainly related to the sustainable finance content of their funds. This is very important to advisers as the advisers are entirely reliant on information provided by the fund managers and providers. Most advisers will not have the time or access to information to confirm whether their original recommendation still remains accurate as far as the sustainable credentials.

There is also greater emphasis on dealing with vulnerable clients. This is far more nuanced than most advisers understand. Most advisers think that vulnerable clients are old people. I think that most advisers have met 85-year-old ladies who are far-better informed than they are and any thoughts of vulnerability would be insulting and patronising.

The FCA definition of vulnerability refers to customers who, due to their personal circumstances, are especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care. Firms should think about vulnerability as a spectrum of risk. All customers are at risk of becoming vulnerable and this risk is increased by characteristics of vulnerability related to 4 key drivers.

Health – health conditions or illnesses that affect ability to carry out day-to-day tasks.

Life events – life events such as bereavement, job loss or relationship breakdown.

Resilience – low ability to withstand financial or emotional shocks.

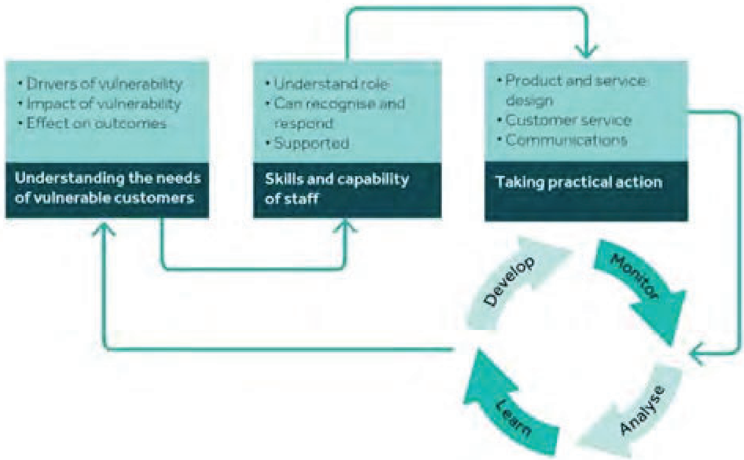
Capability – low knowledge of financial matters or low confidence in managing money (financial capability). Low capability in other relevant areas such as literacy, or digital skills.

Characteristics associated with the 4 drivers of vulnerability

Health	Life events	Resilience	Capability
Physical disability	Retirement	Inadequate (outgoings exceed income) or erratic income	Low knowledge or confidence in managing finances
Severe or long-term illness	Bereavement	Over- indebtedness	Poor literacy or numeracy skills
Hearing or visual impairment	Income Shock	Low savings	Poor English language skills
Mental health condition or disability	Relationship Breakdown	Low emotional resilience	Poor or non-existent digital skills
Addiction	Domestic abuse (including economic control)		Learning difficulties
Low mental capacity or cognitive disability	Caring responsibilities		No or low access to help or support
	Other circumstances that affect people's experience of financial services eg, leaving care, migration or seeking asylum, human trafficking or modern slavery, convictions		

To achieve good outcomes for vulnerable customers, firms should take action to:

- understand the needs of their target market/ customer base
- make sure staff have the right skills and capability to recognise and respond to the needs of vulnerable customers
- respond to customer needs throughout product design, flexible customer service provision and communications
- monitor and assess whether they are meeting and responding to the needs of customers with characteristics of vulnerability, and make improvements where this is not happening



The list of vulnerabilities is very long and growing as time goes by. It is now including mental health, stress, and more consideration of personal circumstances, such as bereavement, change of jobs and now insecurity and possibly the onset of personal poverty. The consideration of experience is also necessary. It could be that the clients have no experience or perhaps poor experiences in the past. These issues need to be discovered at the outset of the advice process as that should govern how the adviser treats the client for the remainder of the relationship. It is that identification of vulnerability and then what the adviser has done to accommodate that vulnerability in their behaviour to the client.

So, in order to comply with the new consumer duties, as part of their fact find process, advisers will need to:

identify any vulnerabilities

ascertain clients' social and moral compass to discuss sustainable investment

their attitude to investment risk and capacity for loss.

as well as discovering and considering the client circumstances, their objectives and how to achieve those.

As one adviser said to me yesterday "I will not cover all that in 45 minutes". No, you will not.

The FCA has the ambition that consumers will be less vulnerable when they leave a meeting with an adviser when they walked in or joined the Zoom/Teams Meeting. Their chances of getting a good outcome should be increased.

Is that so much to ask?

FCA requirements - Supporting mortgage customers in financial difficulty

Nick Baxter
Baxters Business Consultants

In my last column I focused on the FCA's Dear CEO letter to Retail Mortgage Lenders and the three key topics the FCA instructed them to consider: supporting customers in financial difficulty, managing maturing interest only mortgages and responsible lending. This month's FCA follow up, another Dear CEO Letter, this time titled *"The rising cost of living – acting now to support customers"* is further evidence of the regulator's concerns in respect of the increasing debt burden. The FCA concern is justified, and rightly, wants to ensure lenders are 'doing the right thing'. Three questions spring to mind, 1) is there a real problem, 2) is this an issue that only lenders need to consider, and 3) can intermediaries do more too?

UK Finance headlines positively 'spins' arrears data for Q1 of 2022, *"The total number of customers in arrears with their mortgages continued to fall in the first quarter of 2022"*. It also highlights the reduction in total arrears and in the less serious categories (arrears between 2.5% and 5% of the outstanding balance). You need to dig into the data to see a clear and significant emerging issue; accounts seriously in arrears are getting worse. Lenders should consider, are they being lulled into a false sense of security? Currently, three quarters of homeowner mortgages are on a fixed rate contract, with c96% of new borrowers choosing this option since 2019 and nearly half opting for long term fixed deals. Therefore, a large number of borrowers will see no immediate increase in their monthly repayments. That's great in the short term, but the 'delay' in payments 'catching up' with market rates means that the potential 'payment shock' when they do is greater, albeit that the renegotiation may be a few years away.

How bad could the payment shock be? UK Finance monthly economic insights show several 'headwinds'; rising inflation, increasing costs of living, plummeting GDP and reducing retail sales. Consumer confidence, as measured by research company GfK, is also nosediving. It fell by two percentage points in May to its lowest level since records began in 1974. We are starting to see debates around slower house price growth and the 'R' word is now appearing in regular financial market commentaries. The Nationwide Building Society preliminary results statement for the year ending 4 April 2022 states, *"There is a risk of a downward movement in house prices, given the pressure on household budgets."*

As the cost of living crisis deepens, and mortgage interest rate predictions are predicted to continue to rise, it is not surprising that the FCA 'rising cost of living' follow up letter was sent to 3,500 lenders and providers of credit. Not including intermediaries who introduce long and short term borrowers to product providers was unfortunate – they play an important role in ensuring vulnerable customers are identified and receive fair treatment.

To its credit, the FCA has consistently issued constructive guidance in relation to the fair treatment of vulnerable customers. One good example is its 'finalised guidance', FG21/1, issued in February 2021, which focuses on the Principles for Business requirement to "treat vulnerable customers fairly". FG21/1 further builds on the work by the Money Advice Trust and StepChange Debt Charity and their well-known vulnerability protocol, TEXAS. It is helpful the way the FCA links the model to firms' regulatory obligations!

I would also encourage firms to review the work undertaken by the UK Cards Association, *"Vulnerability: a guide for debt collection – 21 questions, 21 steps*". While this may originally have been aimed at firms involved in debt collection, it is succinct and a practical guide for any firm who may be contacted by customers in financial difficulty. As alluded to earlier, this is not just providers of loans and credit it should include intermediaries.

Answering my own questions,

1. Yes, this is a real issue and one that will only get worse in the short/medium term
2. No, this is not just a lender issue
3. Yes, anyone who has contact with consumers can help ensure vulnerable customers receive fair outcomes.

The messaging from the FCA is clear, it expects firms to be sensitive and sympathetic to the needs of customers. The challenge for firms is, can they live up to the FCA aspirations.

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

An outcomes based future: Are you on the journey?

Julie Pardy, Director Regulation & Market Engagement, Worksmart Limited

Compliance teams in most firms will have processes and tools in place for monitoring their firm's performance against each of the major pieces of regulation that have come into place in the recent years. Of course, teams in private moments may be critical of the quality or timeliness of the data they gather and point to the challenges such funding or senior manager support as the cause. However, they will have oversight of key regulatory processes, e.g., SM&CR, DISP, KYC, Anti-Money Laundering, T&C etc. And that puts them and their firms in a good place right? Well, the latest Business Plan issued in April was accompanied for the first time by a Strategy that challenges firms and their compliance teams to reconsider their whole approach.

However, before I focus on the broader implications, a quick synopsis of what's in the Strategy and supporting Business Plan will help explain why these documents indicate such change for the industry.

The FCA's publishing of their Strategy is important for a number of reasons. Firstly, it provides a three-year view of their intentions. Secondly, it provides the context into which the annual Business Plans, with their more granular focus, can slot into. Thirdly, and most critically, it commits the FCA to ***"using our improved data and digital capabilities to be a more forward-looking, proactive regulator."***

This Strategy pledges the FCA to have three key areas of focus:-

- ***Reducing and preventing serious harm***
- ***Setting and testing higher standards***
- ***Promoting competition and positive change.***

Supporting these focus areas are thirteen commitments*;

Reducing & preventing serious harm	Setting & testing higher standards	Promoting competition & positive change
Dealing with problem firms	Putting consumers' needs first	Preparing financial services for the future
Improving the redress framework	Enabling customers to help themselves	Strengthening the UK's position in global wholesale markets
Reducing harm from firm failure	Strategy for positive change, ESG	Shaping digital markets to produce good outcomes
Improving oversight of ARs	Minimising the impact of operational disruptions	
Reducing and preventing financial crime		
Delivering assertive action on market abuse		

* Specific actions to further these Commitments in 2022-23 are detailed in the Business Plan.

Against each commitment are statements of how the FCA intend to measure progress, both at firm and industry levels. Let me take one example;

Focus	Setting and testing higher standards
Commitment	Putting consumers' needs first
Outcomes	Fair Value, Suitability & Treatment, Confidence and Access
Measures	- Firms provide products and services that meet the needs of their customers and offer fair value - Consumers are equipped with information to make effective, timely and informed decisions about products and services - Consumers receive good customer service
Metrics	- Increase in consumer satisfaction with their providers (CST1-M01) - Reduction over time in upheld Financial Ombudsman Service complaints about unsuitable advice or mis-sold products and services (CST1-M02)

The two metrics the FCA will use to measure just one of the thirteen commitments, illustrates how the FCA are broadening their expectations of both themselves and the firms they regulate. Through their complaints processes, every firm should have a clear and up to date understanding of upheld FOS complaints and many will have categorised these by product and service. However, what about consumer satisfaction? Does that feature in there too? I strongly suspect, this is far patchier, both in terms of whether this data is gathered and how it is integrated into a firm's understanding of its overall performance.

Coming back to the Strategy, there are a few more telling statements worthy of consideration:-

- ***"We are shifting our approach to focus more on outcomes."***
- ***"We expect firms and individuals to follow the spirit, not just the letter, of our rules and guidance."***
- ***"We will give firms greater flexibility on how they deliver good outcomes and focus more on testing, and requiring firms to test, what their decisions mean for customers".***

These telling commitments were supported by the Business Plan which states, ***"Our Data Strategy will be published in the coming months. It aims to make us more effective by harnessing data, converting it into actionable intelligence and improving our real time understanding of what's currently happening and, crucially, of emerging risks."***

What this means for most compliance teams is that their oversight of adherence to specific regulation, e.g., KYC, whilst still important, will no longer be sufficient. Therefore, in addition to keeping close eye on adherence to specific pieces of regulation, firms will also need to develop a wider 'data set' to demonstrate that the firm is delivering against the FCA's outcomes and use that data set in a more coordinated and informed way to influence how the firm interacts with its customers. And most important of all, it is clear that the FCA is using its enhanced data analytics capability to spot emerging risks in the firm's behaviour and correct them before they become real world problems, and they are expecting that firms do likewise.

So, what do compliance teams need to do and how do they start on the journey?

I'm in the fortuitus position that through our relationships with the major trade bodies and our regular webinars, I get to understand the approach many compliance teams are taking. In my experience most compliance teams have processes in place for each of the major regulatory processes affecting their firm. These processes are traditionally managed using a combination of paper and/or a Microsoft Office program, e.g. Excel, dedicated software, or RegTech that has been designed for that piece of regulation. As such, the MI or analytics provide insight into adherence to that piece of regulation only, in other words, helpful but 'siloed'. The other thing is that this MI often relies on manual intervention by compliance teams, e.g. extracting data from one system and manually importing it into another. Using the example in the table above about the metrics used by the FCA to measure ''Putting customer needs first', MI from the firm's complaints system should provide information on upheld FOS complaints but what about customer satisfaction? Also, how is the data you have, i.e. upheld FOS complaints, being used to improve the firm's products and services but undertaking root cause analysis against each and every complaint? In short, compliance teams' focus in the real world is a very far cry from what the FCA is hoping the future will look like.

In my view, the future compliance teams need to aspire to is one where a far broader set of data is collected, and that data is used to create a rounded view of the firm's performance. This MI should then be used to proactively inform commercial decisions aimed to improve how the firm operates for its customers, the market and society as a whole. To achieve this it will require major investment in RegTech and deep dive data analytics to provide these dashboards. And for these dashboards to be relevant, they will need to integrate, and be automatically generated. In this new way of working, compliance teams will be supported by behavioural and data science professionals – change indeed!

If that appears daunting, perhaps a more manageable way to look at it is consider the transition as a journey, see below;

"In my view, the future compliance teams need to aspire to is one where a far broader set of data is collected, and that data is used to create a rounded view of the firm's performance.

	Today	→	Future
Processes	Siloed, specific regulatory processes	Digitally enabled silo/'point' processes, with some crossover	Enterprise-wide automated processes
Technology	Manual & lack of integrated software	RegTech software with dedicated MI tools	Fully integrated data driven decisioning tools
Data	By risk area / process siloed	Compliance set enhanced by customer/market data	Data driven leading to predictive decisions

My vision is that compliance functions will use the emerging power of a dedicated RegTech solution to collect and analyse a wide range of data, both internal and external to the firm. That the dataset is presented in a unified and balanced way that enables the inevitable trade off decisions about product and service to be made in a predictive way. In other words, by pulling all the different datasets together in content-rich dashboards, firms' executive teams can make considered commercial decisions today that foresee emerging customer and regulatory risks before they turn into major problems tomorrow, and in doing so, make the firm more attractive to customers, existing and new.

This may sound daunting, indeed for some it will be, however it is the journey the FCA has set itself on and expects firms to do the same. What will be your first step?

Measuring employee competence

By Adrian Harvey from Elephants Don't Forget

How well does your business measure employee competence and why should you really care about it?

I speak with literally hundreds of L&D professionals and Senior Managers every year and the subject of employee competency measurement always comes up. I estimate that about half of those folks believe they have a robust process and a good handle on individual employee competence, whilst the others are perhaps more realistic and accept that this is a notoriously difficult but important area.

I guess it depends on how one defines "measurement" and to what degree of accuracy is required. If the firm isn't regulated and/or the employer isn't seeking any productivity gains from the workforce, then it is probably perfectly reasonable to have a vague and (most likely) variably accurate measurement process. If, however, the firm is regulated – by say the FCA – then there is an absolute requirement to have a robust and accurate process.

Senior Managers are personally liable under SM&CR for the competence of the employees they manage and delegate work to. I accept that, to date, the FCA has made only one successful prosecution and the odds on "getting caught" would appear slim right now. That though isn't a reason to not comply. The regulator is (rightly, in my opinion) fixated on good organisational culture and ensuring that compliance isn't just a box a firm ticks before getting on with making money; rather, it is engrained in everything the firm and its employees do.

SM17s (AMLRO) should also pay attention, given that – under current legislation – they are responsible for the training and competence of all employees in relation to money laundering, not L&D.

The new Consumer Duty, (whilst at the point of authoring this) is not yet law and firms will have a grace period to organise themselves so they do comply, will further add pressure on firms to ensure they can (and do) accurately measure and monitor the competence of their employees. Certainly, some aspects of Consumer Duty are desk-based and centralised like ensuring a firm's product suite is suitable for the market it serves and the routes to market enable consumers to easily access essential product information. Other elements relate far more to the knowledge and competency of the very employees who provide and sell the products and services of the firm.

The cross-cutting rules are clear, and your employees must, on an individual basis, be able to ensure that a consumer comes to no detriment (causing foreseeable harm because of an inappropriate product or service) and ensure consumers are able to pursue their financial objectives. In addition, the area of Customer Service is the focus of one of the four "Outcomes" required under Consumer Duty.

In short, firms will be required to evidence that their employees are genuinely competent, and Senior Managers should already be engaged and perhaps questioning the quality of evidence available to them in the event of a breach.

According to Allen & Overy in their excellent article (available here):

"45% of final notices that the FCA issued to firms identified deficiencies in firms' training programmes, including inadequate or a "one size fits all" approach to training employees, or a culture where employees did not complete mandatory training."

Many reading this will focus on the last part of the sentence and conclude that because your firm does ensure employees complete mandatory training, you are ok. These findings are pre-Consumer Duty, and one must conclude that, post-Consumer Duty becoming effective, the requirement for firms to have better quality evidence is a given.

The industry default approach to employee Training & Competency (employees outside the Certification Regime and not Senior Managers) is full training across the required learning curriculum on joining the firm. Annual refresher training for all, often via e-learning, followed by a brief quiz to demonstrate that the content has been "learned". It is, at best, a short-term memory test and has very little correlation to actual employee competence. Particularly when some firms give employees multiple chances and use the same quiz for every employee. Employees share answers and, in many cases, do what they need to do to "pass" and get on with their work. If you asked an employee if they felt this was an effective form of training, nine out of ten would say no. We know this because we ask them.

This annual sheep dip refresher training is often augmented by varying degrees of QA practice and audit, which shows to further evidence that said employee is indeed competent in-role. The harsh reality is that unless a firm man-marks every employee, then QA and audit is only ever going to sample a very small percentage of actual customer interactions. Add to that, the actual checking process is often open to interpretation and most firms are probably concluding they are doing the best they can and the risks are low.

If this governance process worked then we would see very different levels of actual employee competence when we assess it, and we do not. To scale it, in 2020, our Artificial Intelligence platform – Clever Nelly – conducted more than 100m individual knowledge and competency assessments, the vast majority in firms regulated by FCA & Prudential. The average level of employee competence, based upon the training provided by each employer, was just 52%. No employee can act on or put into practice training they have received and failed to learn and retain.

For an employee competency regime to be effective it must be precise, not vague. Pointing to single-point-in-time annual refresher training – and a handful of QA interactions – fails my precision test. And if this was what I, as a Senior manager, was forced to rely on to evidence employee competence, I should rightly be nervous. In the US, the Department of Justice (DOJ) in its most recent advice to prosecutors in relation to company compliance programmes specifically highlighted this 'almost standard practice in the UK' as bad practice and grounds for prosecution! Happily, for most UK FinServ firms they aren't operating in that jurisdiction!

Interestingly, **40%** of 195 compliance and risk professionals polled in our recent Consumer Duty webinar (available to watch here) stated that ***"providing board or management with the required evidence to meet their regulatory obligations"*** would be a key challenge in their efforts to implement the FCA's proposed new Consumer Duty.

> "The average level of employee competence, based upon the training provided by each employer, was just 52%

Employee competency *"assessment"* shouldn't be viewed singularly, it should be viewed in the round as part of a best practice employee T&C regime; particularly as the object of the exercise is not just measurement, it is genuinely competent employees. To that end we would say that measurement needs to be inexorably linked to the "repair" or retaining of any shortfalls.

At Elephants Don't Forget, we advocate a continual assessment and dynamic repair regime, entirely tailored to every individual and delivered in the flow of work, requiring less than one minute of an employee's time per day. It has considerable advantages over the current default method used by most firms.

Perhaps the most important of these advantages is that it ***guarantees*** that every employee is knowledgeable and competent in-role and provides independent evidence of that fact. It also treats every individual with respect and allows them to make – and learn – from their mistakes gently and in a safe place. It underpins a genuine culture of compliance and ensures your first line of defence is robust and not full of holes. Every week, a new firm hires Clever Nelly and adopts this approach because they want an authentic and genuine compliance culture. Isn't it time your business looked again at how you measure employee competence?

Why CPD is here to stay

John Reynolds
Expert Pensions Limited

"This is not just compulsory; it is an essential part of keeping your business sharp and on the ball.

Just occasionally it's good to remind ourselves why something is important and CPD is one of those things which makes it easy to forget how important it is: why is CPD important?

Empowering your people through improved performance and competence;

Maintaining and enhancing the knowledge and skills of your people;

Providing a competitive edge for your business through your people;

Continuously evolving and making sure those qualifications do not become obsolete;

It empowers your people and sharpens the professional edge of your business.

You will be looking for integrated activities - online and F2F - with workshops, seminars, and e-learning courses. Post-COVID, you have reminded yourself how social learning is good learning and workshops are a key part of your mix.

And, of course, career-oriented assessments and exams are still part of the mix as they always have been.

You will also include reflective self-directed CPD - reading relevant news articles, case studies, and industry updates, as well as listening to podcasts, peer-reviewed books and studies, industry journals, trade magazines, and industry-specific news feeds.... are all part of the spice of CPD.

Your CPD mix will boost the confidence and competence of your people.

It will provide a platform for positive disruption in your business: healthy learning culture = happier and more productive people.

This underpins all CPD activities across all professions - but, looking specifically at financial services and very particularly pension transfer specialists - what does this mean for them?

Since 2015, over 7 years ago, pensions and pension transfer work has undergone massive structural change and development.

Those structural changes and developments within the profession now have to be embedded as professional practice - business as normal within your business. They are a positive disruption to your business and your client outcomes. They are not exams: they are continuous development of skills, knowledge, and competence.

Those structural changes and developments within the profession now have to be embedded as professional practice - business as normal within your business - developing your financial planning competence, to ensure that you deliver financial planning advice which is in the client's best interests.

It's not something that happens at one event. Or one exam.

It is a continuous process. The full mix of CPD for your people has to be built into your business as part of your everyday and fully embraced as part of your culture.

That's why the FCA made CPD a compulsory part of the pension transfer specialist (PTS) role.

That requires a big effort from individuals and from firms - you need the resources and expertise to deliver that CPD, to ensure your highest skilled pension transfer specialists (PTS's) are getting the support they need from experts who understand them, every day - which is tailored for them.

This is not just compulsory; it is an essential part of keeping your business sharp and on the ball.

In the post-COVD era, you will be expanding out from using just online learning, from passive CPD to more interactive, face-to-face, social sharing and learning tutorial workshops to enable that professional shared learning to take place. That is part of the developing future - alongside the online reflective self-directed CPD we've been used to over the past 3 years.

That mix of CPD will be best delivered by trainers and practitioners who have experience of delivering advice and working with the FCA in such a specialist part of financial planning. The subject-matter has changed. The focus has changed. The expectations have changed and the world post-COVID is moving forward rapidly…

Here is a reminder of the CPD that a pension transfer specialist must undertake:

15 hours of specific PTS continuing CPD annually;

5 hours of the 15 hours each year must be provided by an external independent provider;

9 hours must be structured learning - with specific learning objectives and outcomes and can include various types of facilitated learning opportunities as we have discussed;

The PTS CPD is specific to the PTS role.

For example, a 3 hour group session (facilitated by an external expert practitioner) on using and assessing DBAAT outputs would cover a large chunk of your regulatory responsibilities, but also enhance the competence of your team.

Does your CPD for your pension transfer specialists include these subjects:

DBAAT training - what does a good DBAAT look like?

Real case studies - analysis of cases and assessment of how advice is delivered;

Tutorial discussion using case studies from the public FOS determinations library;

What does best interests look like in a pension transfer case -what do you and your fellow professionals think it looks like?

The latest consultations from the FCA - how will it impact my business now or in future?

Are you covering these subjects both interactively in tutorial sessions and enabling passive development of competence? Are you taking advantage of the skills And knowledge you already have in the team and encouraging the sharing of internal knowledge and expertise?

In short, good CPD for PTS is real-life, it adds value, it’s useful, it is based on real cases, it is structured, and it delivers value for your people and your business.

It is specific and directed at your PTS. It is delivered online and face-2-face. It’s social and it encourages shared learning experiences from within your team on a regular basis.

It develops and empowers your people. It supports your professional business practice. It makes your business more secure, more competent and more compliant.

It’s based on a learning and development philosophy. It works alongside your overarching business principles.

It is part of your future.

Changes to the Appointed Representatives Regime

By Ian Ashleigh from Compliance Matters

The central tenet of the FCA's Consumer Duty is to reduce harm to retail consumers and to encourage good consumer outcomes. In December 2021, the FCA published CP21/34: Improving the Appointed Representative Regime to integrate the Consumer Duty into the ARR.

In its introduction to CP21/34, the FCA states: "The Appointed Representative Regime (ARR) was created to allow self-employed representatives to engage in regulated activities without having to be authorised. Over time, it has evolved to include a wider range of business models across sectors and markets."

As a reminder, the FCA terms a regulated firm that has appointed representatives as a Principal Firm and Principal Firms have always had responsibility for defining the products and services the AR is allowed to market on its behalf and ensuring that their ARs comply with the relevant parts of the FCA handbook, e.g. COBS, ICOBS, MCOB or CASS.

The proposed changes to the ARR aim to reduce potential harm and ensure that the regime delivers good outcomes for consumers and markets. The FCA states that it is seeing a wide range of harm across all the sectors where firms have ARs. This harm often occurs because principals don't perform enough due diligence before appointing an AR, or from inadequate oversight and control after an AR has been appointed.

The FCA's proposals:

a. **Additional information on ARs and notification requirements for principals.** The objective is to allow the FCA to more easily identify potential risks within principals and ARs. It will also help the regulator to better assess whether the principal has the expertise, systems and controls to effectively oversee its ARs and to target their supervisory interventions more effectively.

b. **Clarifying and strengthening the responsibilities and expectations of principals** in the FCA's rules and providing additional guidance for principals on their responsibilities, and their expectations of how they should act and oversee their ARs

Whilst the FCA is finalising the rules governing its improved ARR and setting up a dedicated unit to deal with investigations, Principal Firms should consider conducting a gap analysis of their current principal-AR arrangements and adopt the proposed policy early.

If you read any summaries of the FCA's business plan, it will come as no surprise that the AR regime is being reformed. It is a key part of the regulator's intensified, data-led approach to supervision and assertiveness, in its continued quest to reduce potential harms within the industry and deliver good customer outcomes.

Data gathering
So, what will the FCA want to know about your principal-AR relationship? Firms should expect to provide information about the following:

- The scope of the AR appointment
- The products and services offered against consumer needs
- Your firm's, and the AR's target market
- Organisational and group structures
- Your split between regulated and unregulated activities
- Contractual personnel arrangements
- Assessments of the suitability and propriety of senior management for each AR
- Renumeration arrangements
- Sources of revenue generated for each AR
- Disclosure of information provided to consumers and financial promotions
- Systems and controls – evidence of proactivity, prevention, and mitigation
- Complaints for each AR
- Access to appropriate redress

How will the data be used?
These enhanced reporting requirements will equip the FCA with a fuller picture about the nature of your principal-AR relationship and the level of risk posed to consumers and markets. It will enable standards to be realigned and determine whether firms' arrangements are simple or reflect more complex 'network' or 'regulatory hosting' models.

Although the onus is completely on the principal, the impact on ARs and to a lesser degree, IARs, will be felt by way of increased engagement. You are expected to demonstrate that your activities are being overseen appropriately and that you hold adequate financial and non-financial resources to run your business. You will also be required to attest to certain elements of the policy and provide the regulator with self-assessments on request.

Three proposed outcomes and measures of success
In the consultation paper, the FCA articulates three outcomes they wish to see, along with how it will measure the success of the changes over time.

1. **Principals better monitor, oversee and manage their ARs**.

The proposals aim to clarify principals' responsibilities for their ARs and raise oversight expectations. Data has shown that harm can arise, for example, where principals don't fully understand their responsibilities over ARs and so fail to oversee them appropriately.

The FCA measure will be:

a. A better alignment of products with consumers' needs as consumers will be less likely to choose products or services from ARs which are unsuitable.
b. Evidence of principals more quickly and proactively preventing, and mitigating, potential harm within their ARs.
c. Fewer complaints, and FOS referrals, involving principals and/or ARs.

> "Although the onus is completely on the principal, the impact on ARs and to a lesser degree, IARs, will be felt by way of increased engagement.

2. **Consumers are able to access better quality information on principals and ARs and make good decisions when choosing products or services.**

As set out in the FCA's proposed New Consumer Duty consultations, consumers' ability to make good decisions can be impaired by asymmetries of information. Displaying more comprehensive information on the Register and Directory can help consumers understand what business ARs are permitted to carry on.

The FCA measure will be an improved access to appropriate redress, as a result of consumers making good decisions on products and services and not purchasing from ARs acting outside the scope of their appointment.

3. **The FCA can better challenge firms with, and those looking to appoint, ARs**.

The FCA currently only collects data at the principal level. The proposals will allow the FCA to gather improved data on principals and ARs' activities through regulatory reporting.

The FCA measure will be a decrease in open reactive supervision cases against principals. While these may increase in the short or medium term as a result of the FCA's targeted work in this area, over the long term the FCA expects these to significantly reduce.

Shaping the future
We should expect that the increased breadth of AR information demanded by the FCA will determine future regulations, as well as supervision, authorisations, and enforcement action. Its ability to address issues quickly and efficiently will then lead to a reduction in consumer harm.

Post pandemic business planning

By Phil Ingle from Phil Ingle Associates

> "Shorter planning cycles can be a bit like driving through fog – your headlights illuminate just enough to enable you to move forward, and then illuminate the next part of the journey

Roll back to the middle of 2020 and most plans – both personal and business – were aimed at 'getting back to normal'. In the middle of our Covid 19 response we were 'locked down' to varying degrees around the world and wondering what life would be like in the future.

The future is now here, and we know what it's like: not normal, not 2019, and it won't be either.

Our response to today's situation therefore is to look at how the world - and *our* world - has changed, and then decide what we are going to do about it. In other words, create a plan.

The classic business planning and strategy tools still have their place. They are just tools, so we can use them as we feel fit. The common element though is not just what we populate these tools with, but where we go afterwards.

For viewing the world and our environment a PESTLE Analysis provides a comprehensive structure. While we talk on Zoom about the effects of Brexit, Covid, Ukraine, Inflation, compliance and climate change and whatever else is on our phones (technology!), we can classify these themes – and more – using the headings:

Political
Economical
Social
Technological
Legal
Environmental

Two tips here: don't spend too long capturing everything, there is a potential black hole of time to be lost just talking about the issues.

Secondly and more importantly, once collated ask the key question – "So What?". As in – what impact do these issues have for us – and how could we respond?

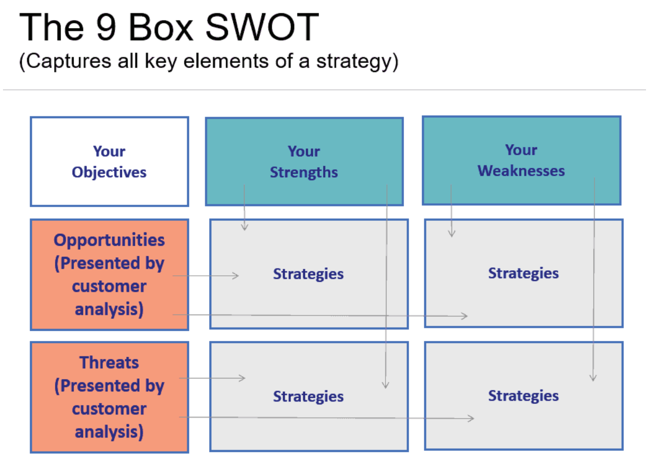
It is this second point which transforms the use of PESTLE from whiteboard to action, so this is where the emphasis of discussion should be focused.

From the bigger picture of the world as it now is, drill down to your world and your market, using Michael Porter's Five Forces model. Consider how you are working with your customers and suppliers and the power in todays – and what you anticipate being tomorrows – marketplace. Analyse too the potential other market entrants and substitutes. An obvious substitute for me is online training delivery instead of 'classroom', one effect being that people really want a great experience now if they are going to travel and sit inside alongside other people. (I have my planned response in hand!)

Again the 'So What?' question is crucial – look for what you do about your conclusions, not just your analysis of how things are.

Then the most commonly used - and in my experience misused – tool, SWOT. In 2022 you will be talking about your Strengths, Weaknesses, Opportunities, and Threats probably most days. But are you viewing them in a

structured way, and especially looking for the action points? A key adaption of this tool is the 9 Box version, which enables you to consider your strategies in response to the relationships between Strengths and Opportunities & Threats, and Weaknesses and Opportunities & Threats too. This is what helps with the answers to that 'So What?' question.



Sweeping all these 'so what responses 'together should enable you to then consider your overall direction and strategy – where you want to be: what I categorise as Vision. Go for the pithy "put a Coke within an arm's reach of everyone" (your version of it!) if you can, but avoid boilerplate, vague aims. It matters less what you state your vision to be than how much your people engage in going in that direction, so ask them.

The tool I usually use to create the plan itself is Kaplan & Norton's Balanced Business Scorecard. It's been around over 30 years now, so there is plenty of experience in its use. It has also been adapted into steering wheels, maps, and other shapes, so you don't have to use their 4 headings of Customers, Finance, Processes and People too rigidly: indeed Kaplan & Norton didn't originally used exactly those words.

What you are aiming for with a scorecard approach is to set objectives in each area, then agree how you measure success for each one. Measures can be qualitative as well as quantitative, it doesn't have to be just numbers. But we 'measure what we treasure' so this leads us to setting targets, giving you Key Performance Indicators. With those established, it's the fun bit: action. What must be done to achieve the targets, which will fulfil the objectives and take you in the direction of the vision? There is plenty to be done, and some project planning tools or Gantt chart could set out how you plan your actions – and progress. You cannot do everything in the next week, so pace yourself and your team, with some quick wins early on.

This is the middle of the year, so one other tip. Who says you must plan for 12 months? You may feel that in the light of everything you have identified in your environment through PESTLE and your market through the Five Forces that you have a mountain to climb.

Identify the main actions you need for the next 6 months, maybe even 3 months. You can always add more actions when you review progress. A monthly progress review can easily add actions for say a 7th month, giving you a rolling 6 month plan. Shorter planning cycles can be a bit like driving through fog – your headlights illuminate just enough to enable you to move forward, and then illuminate the next part of the journey.

We didn't aim to have 2022 like this, the chances are 2023 will not be exactly as want either. Yet you can have a plan for where you want to go and what you want to be, to help you adjust your response to the inevitable periods of turbulence ahead.

Are investment pathways doing any good?

Henry Tapper
CEO Age Wage

> These same drivers appear to be in play in the UK, with the Treasury issuing a number of calls to see DC pensions further invested in UK plc.

My laptop stopped connecting to local networks last week. It turned out that I had loaded so much anti-virus software that I'd confused it into blocking perfectly friendly services. Sometimes you can have too much protection.

I was reminded of my dysfunctional laptop when reading a recent article by Fiona Tait in the Actuarial Post. Fiona clearly explains why she thinks the point at which people make choices about how they spend their retirement savings is the key trigger for taking financial advice. Pension savers who have reached the point of retirement, are likely to have very diverse requirements with different priorities for current and future income, as well as provision for family members. Financial advice allows clients to focus on what they most want, rather than what everyone else wants.

There is an alternative view to this, one shared by many pension professionals immersed in defined benefit plans, that the proper outcome from a workplace pension is a stream of payments paid in line with a measure of inflation, till death. For such people, the investment pathways provide too much rather than too little choice, they favour a "one size fits all" approach to pension provision.

The investment pathways seem to fall foul of both camps and reports on take-up suggest that they are not yet achieving the desired impact of reducing the number of pension pots being cashed out or remaining in heavily "de-risked" strategies following "lifestyling".

Many readers will remember the early days of modern DC choice architecture which date back to the launch of personal pensions in 1988, fully two years after the 1986 Finance Act legislated for them. In the early days, the personal pension was valued for the number of fund links it could offer. Initially these were provided by a captive fund manager but in time "open architecture" was introduced that made available a range of funds, mostly reinsured though some were offered without life wrappers. This proliferation of choice was not greeted with enthusiasm by most savers and providers moved to rationalising fund choice by shortlisting three or four "core funds", pacifying those who called for greater guidance while allowing "self-select" from a much longer list. Core funds never caught on. They were soon made redundant by default funds, introduced as part of the "stakeholder pension" legislation in 2001. This legislation made it a default option a feature of every stakeholder personal pension. The default option quickly became synonymous with a lifestyle strategy which provided a degree of fiduciary management of a policyholder's pot which became popular with trustees and their institutional advisers. It was seen as a prudent decision by regulators and remains the standard way of accumulating a pension pot to this day.

The evolution of post retirement products (often referred to as "decumulators") has so far followed a similar trajectory. Just as personal pensions emerged from the restrictive architecture of "retirement annuity plans" (the precursors of personal pensions), so the pension freedoms emerged from the restriction on most pots which required them to purchase an annuity (the reason DC pensions were known as "money purchase").

Feast followed famine as drawdown products proliferated, each SIPP having a new variant. But just as savers had been baffled by "open architecture" in accumulation, spenders found unlimited choice baffling and the FCA's retirement income survey shows that most pension pots that are crystallised, are being turned to cash. The investment pathways (like core funds) are a way for people looking to spend their pensions to choose between a guaranteed income, an immediate cash-out, a drawdown of the pot over time or a roll-up of the pot to provide a bequest.

While the wealth in DC accumulation bi-furcated between "self-selection" and the non-selected "default"- leaving core funds unloved, it remains to be seen if decumulation will follow the same journey.

The arrival of a default in accumulation coincided with a product that became universally accepted – "lifestyle". But as yet, no such product has been developed beyond the current choice architecture of investment pathways.

There is considerable interest amongst those involved with pensions policy in the development of a Retirement Income Covenant in Australia. From July, Australian DC pensions (know as "Supers") will have to provide members with a default decumulation pathway to ensure that tax-advantaged savings are put to use for a "wage in retirement". This Government initiative is driving many Supers to develop products that have the look and feel of annuities, with enhanced returns that derive from more aggressive investment strategies and the loss of guarantees on income.

It remains to be seen whether Australians will be more comfortable swapping their pots for these non-guaranteed pensions. Their popularity (or lack of) will be as assiduously monitored by global policy-makers as auto-enrolment opt-out rates were – a decade ago.

The Australian system is primarily based on compulsion and many commentators see a hardening in the Retirement Income Covenant that will require savers to convert to an annuity like product (ensuring savings are recycled into the Australian economy and invested money becomes capital for economic investment).

These same drivers appear to be in play in the UK, with the Treasury issuing a number of calls to see DC pensions further invested in UK plc. This looks likely to lead to an easing in solvency regulations for annuities and a relaxation in permitted links regulations allowing pooled funds to provide self-more aggressively invested in retirement funds – offering self-annuitisation and non-guaranteed income streams, more attractive (but riskier) than guaranteed alternatives.

If we are to move beyond investment pathways – which appear to this author to be doing little good to the advised and non-advised saver, we should look to Australia and the development of what the Work and Pensions Committee refer to as "contract -based CDC").

The arrival of an acceptable alternative to the non-advised investment pathways looks some way off, but simultaneous reviews by the FCA of the consumer journey and the DWP of "decumulation", may lead to an acceleration of progress, both in the promotion of advice and of default solutions for the non-advised.

Delegate to elevate!

By Michelle Hoskin from Standards International

I have yet to meet a Compliance Officer or Manager who is *not* a natural 'doer' – a generator and completer of tasks.

On one level, being a 'doer' is amazing – it's an honourable approach to establishing and securing your value to your firm, and the firms that you work with.

BUT, as you get busier, this eagerness to do it all, which will have become well and truly habitual, will now be holding you back. As the complexities of the compliance landscape continue to grow, your truest value to your firm and those you work with will be in your ability to see ahead – to anticipate and then interpret the impacts that any future changes will have on those that you support.

Fact: you won't be able to do this if you are knee-deep in compliance administration and file checks!

The art of delegation will be the key to unlocking both your and the firm's truest potential.

The challenge comprises both resources and trust, but when both of these are in place you will be able to pivot and respond quickly to where help is needed the most.

I think that, even at the best times, effective delegation is a tricky skill to master in a sector of perfectionist control freaks (I say this with love of course!). Although we try very hard to remember that other people have good ideas and are very capable of getting stuff done, many of us tend to believe that our way is the only right way!

Ultimately, teamwork and true collaboration are necessary to our own, and our business's, success, which is why it is essential to have a robust and scalable process in place for delegating and getting stuff done.

The challenge of effective delegation is very real, but our three-step solution is so simple:

1. **Delegation is an art**

- Trust before you have any reason to! Innocent until proven guilty, and empower NOT overpower, are two of my favourite sayings. But they are not just sayings, they are frameworks for producing our best work!
- If the required tasks need to be completed by someone else, it is vital that the handover process is effective. A misunderstood task could result in catastrophic outcomes, and is to be avoided at all costs. Be clear about what is expected and make sure that the person undertaking the tasks has all the information they need from the outset.
- Adequate time should be allocated to handing over key tasks. Notes should be taken to make sure that the instructions and details are clear, and can be recalled at a later point if needed.
- Be clear on both the minimum and desired outcomes. Ambiguity doesn't help anyone!
- During the handover meeting (which should be scheduled into all diaries), both parties should be clear about the work involved and the time allocated to complete it. Any potential issues should be raised, discussed and resolved at this point.
- Agree check-in points. It's no good discussing what needs to be done at the start but then not again until the end. You don't want anyone to go off-track and waste time. Work-in-progress meetings are recommended.
- Once the action points have been agreed, these tasks should be incorporated into the master 'to do' list (see below), task planner or project planner.

2. **Deadlines are a must**

Everyone needs a deadline, and the primary rule is that no task should be delegated or requested without a deadline attached. We are all really busy, we all have more stuff on our to-do lists than we have hours in the day, so the main purpose of a deadline is to focus the mind – be that your mind or someone else's.

Think about it – when you're facing a mountain of tasks, after the initial panic of 'How the hell am I going to get all of this stuff done?', the question becomes 'What do I focus on first?' Most people are drawn to starting and (hopefully) completing tasks that have specific deadlines attached to them. In fact, most people do their best work when a deadline is fast approaching and the pressure is on. Why? Focus… the deadline is forcing them to focus! With an imminent deadline, there's no time for faffing, over-thinking or procrastinating! It's time to focus and get it done. So, even if there isn't a deadline associated with a task, give it one (even if you have to make it up). Trust me… with a deadline, everyone's a winner!

3. **Remember the rules *(sneaky recap!)***

- *There are only so many hours in the day – don't over-commit or over-promise. If you do, you will only under-deliver!*
- *Being busy doesn't mean you're being productive!*
- *Lists and structures (whether held as hard or soft copies) are crucial to success! Learn to love lists and structures!*
- *There's always a more effective and efficient way of doing something – so strive to find it!*
- *We are not designed to multi-task or multi-focus… so, wherever possible, don't even attempt to!*
- With the world of work evolving daily, give yourself a break, stop trying to do everything yourself, ease-off on the obsession for everything to be perfect, sit back and for once see what others are capable of doing when given the trust and space to do so. Bring your dreamed-of projects to life!

Raindrops on roses

By Derek Davies

> but old habits die hard and a study in the European Journal of Social Psychology in 2009 said it takes 18 to 254 days for a person to form a new habit

This month I am focusing on some of my favourite things from my roles, first as an adviser subject to T&C, as a T&C supervisor, and then finally being responsible for multiple T&C schemes.

But first, for those who are wondering about the title, you obviously have never watched a version of the musical of the Sound of Music whilst unfortunately I have, five times to be precise.

The film appeared in my life at a time when I was starting to make my own mind up about my likes and dislikes, but when my mother still had a veto on where my body could and should be. This meant I was forced to go with her to see the film, which was probably a bad start, on the first and then four subsequent occasions, as she liked it so much.

However, it taught me at an early age that you can't expect everyone to like the same things or agree with the decisions you make. It gave me an insight into the resistance that can ensue from someone being forced into doing something just because somebody said so. It provided an understanding of the need to bring people along with new ideas rather than them simply being told to comply.

From that point of view, it was a useful exercise and hasn't really left any scars, although to this day I still couldn't vouch for the physical safety of a lonely goat herd, if I happened to meet one.

I must admit that, as an adviser subject to T&C, my reaction to what some others saw as an imposed extra layer of unnecessary activity, was to see the sense of the additional supervision T&C brought to the role. That in part was due to my T&C supervisor taking the time to explain what T&C was about, the potential benefits in terms of customer outcomes and protection of the business, rather than just telling me that I had to comply with the rules come what may.

I remember a few colleagues who liked to believe they were not only infallible, but above the need for any additional supervision, regarding T&C in the same light as they would a traffic warden hovering around the car that they had abandoned on double yellow lines. This in part was due to the mismatch in their minds between the sales team, and those working in T&C who they thought couldn't possibly bring anything to the party they didn't already know.

However, I found as my career developed, that reaction often came from people who were incredibly good at their job but were, behind that façade of confidence, nervous about being found wanting. Indeed, some of the best observations I ever undertook were with such people who, in the subsequent feedback, admitted how nervous they had been about the observation and welcomed the comments I made.

Lightbulb Moments

As a T&C supervisor there were the lightbulb moments when those I was bringing through the initial competence process, or those who were a little longer in the tooth, suddenly saw something in a new light. This ranged from those who understood a little more about T&C than they had, to those who could see ways to change their approach to client interaction that could make a difference to the outcome.

One such person was someone who had been an administrator for consultants, who believed that they could do a better job, if they were given the chance. Well that chance came, and I embarked on taking him through his initial competence, not knowing if his previous experience and opinions would be a help or a hinderance.

It was a steep learning curve for both of us and he was a living example of the quote from Donald Rumsfeld some of you may recall.

"There are known knowns. These are things we know that we know. There are known unknowns. That is to say, there are things that we know we don't know. But there are also unknown unknowns. There are things we don't know we don't know."

This individual really knew what he knew, or thought he did, but initially he didn't get the fact there may be unknowns he had to negotiate, and whilst he seemed eager to learn it was initially a slow process punctuated by errors and mistakes.

I decided to tackle this at a 1 to 1, but he surprised me by bringing up the subject first and apologising he hadn't progressed as well as he had thought he would. He said he was so used to being good at his job as an administrator that he expected just to fit neatly into a consultant role at the same level of competence, and the realisation there was much to learn had been hard to accept.

The same applies to experienced consultants and advisers joining a different business, they would have been comfortable in what they were doing at their previous employer and would hopefully have been doing it successfully. It should therefore be an easy task to embed them into a new firm with the few changes that there would be, but old habits die hard and a study in the European Journal of Social Psychology in 2009 said it takes 18 to 254 days for a person to form a new habit. People also must unlearn previous habits before they can adopt new ones, so it is not surprising that somebody who was used to dealing successfully with clients, can find themselves struggling in an unfamiliar environment with different systems, and values. Some may even see this period when they are reaching competence again with a new employer as a negative experience and can question whether they made the right move.

In many such cases, I have been fortunate to be able to work with good sales managers and have collaborated on making the transition to competent consultant as effective as possible, both for the individual, and for the business. At the end of the day, they all want a temporarily unproductive employee to be able to contribute financially as soon as possible, compliantly.

Setting out to Fail

One of the interesting things about being responsible for a range of T&C schemes is that you can see where the common touch points are from one scheme to another, and you can take the best points from each scheme to create a best practice template that could be used as a basis for other schemes.

For example, if one scheme has a review process built in, they should all have one, and if a scheme has a "last updated" section, they should all have that as well. If not any internal or external review could spot these inconsistencies, and then wonder what else had been missed.

The other thing with the change to the FCA's principles-based approach, from the previous prescriptive approach is that you can design a scheme that suits the business, or a specific part of the business, based on proportionality. However, that isn't always the view of those in charge of a particular business area and based on my previous comments you may think I mean that schemes are seen as too harsh. However, in the case I have in mind, I was faced with a director who had been familiar with the prescribed approach and wanted a scheme that lived up to those expectations.

The brief was that everything was to be set out and documented on a strict timescale basis, with everyone being subject to the same extensive rules, regardless of the differing risks that they posed, because that was what a good T&C scheme looked like to them.

I needed to get them to see a T&C scheme needed to allow for variables and that by being so prescriptive, they would leave no room for the unexpected, where flexibility is needed, or for the possibility of someone just having a difficult day. This would mean there would be the potential for a constant stream of scheme breaches, which would have to be documented and reported to the risk committee.

The way I did that was to organise a proof-of-concept test, a series of brief roleplays based on how the scheme would work in real life scenarios, so that we could get a flavour of its effectiveness. We would then review each scenario against the alternative T&C scheme I proposed, to see how that would work.

The test was successful from my point of view because I was able to demonstrate how things might happen and why they might go wrong. This practical demonstration had much more of an impact than any amount of theorising or negotiation would have and showed the director the relative impacts of two types of schemes. It still provided a robust T&C scheme, but prevented unnecessary additional work by supervisors and advisers, whilst re-assuring the director that it met the needs of the business. It just confirmed that you can't always assume that, whilst you may be right, people will accept what you say without proving it to them.

The great thing about the range of T&C related roles I have had is that you can always learn something about yourself and other people, and that the mistakes people make will be repeated by others but can be softened by the application of experience.

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