For People Development and People Regulation Personnel within Financial Services

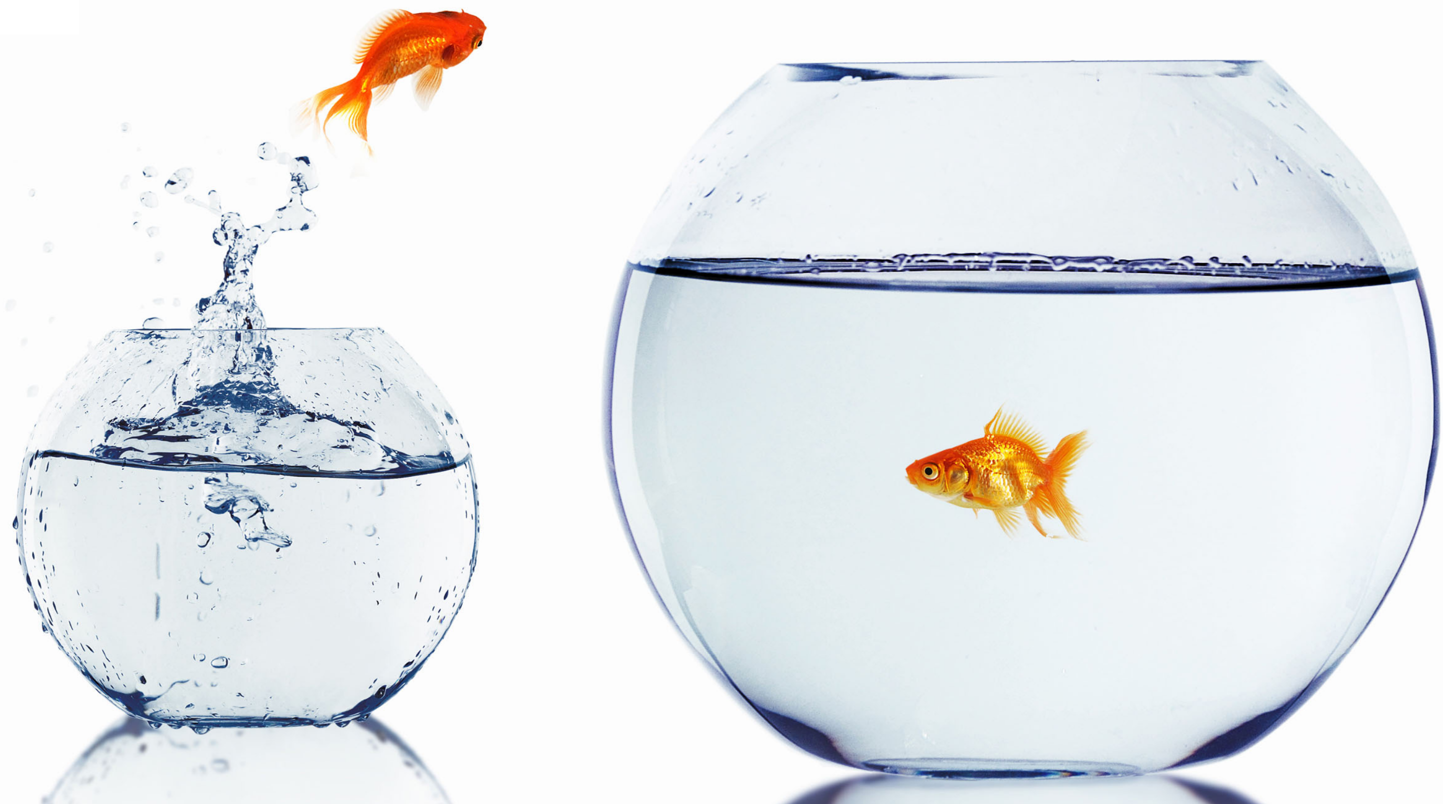
T-C NEWS

COMPETENCE •EXPERTISE • PROFESSIONALISM

OCTOBER 2022

Upscaling your people processes to meet the demands of Consumer Duty

Julie Pardy, Director Regulation & Market Engagement, Worksmart Limited



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Welcome to the Autumn edition of T-CNews. The key topic of focus for this edition is the new Consumer Duty. The first important date is the end of October by which time firms are expected to have made their implementation plan of how they will approach this somewhat sizeable task. We have several articles looking at this subject that will help develop your understanding and encourage you to ensure that people aspects of these regulations are covered properly. The size of the task ahead will depend on the approaches that companies have taken up to now when dealing with other recent regulatory change. We are also supported by a mix of articles designed to keep you up to speed with current thinking and provide a balance to this quarter's edition. Enjoy. Jeff Abbott

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Supporting the supervisor

By Andy Snook from Performance Evaluations

In the January edition of T-C News I wrote about "Empowering the Supervisor" in which I looked at the role of the Supervisor and the need to put people at the forefront of a T&C Scheme. Firms may put customers at the forefront of their business, but behind the scenes this can only really happen if our people have the right skills, knowledge, and tools.

My T&C Scheme this year placed it's primary emphasis on people, starting with the Supervisors who, in this year's scheme, have been given greater empowerment to not just oversee and monitor their people, but also to demonstrate that this is being done so that action can be taken as appropriate and, most importantly, the T&C Supervisor has wider oversight and therefore can provide the right level of support.

So that all areas and processes are covered, the T&C Scheme this year (and for the first time) not only included the Supervisors, Advisers, and Para-Planner, but also the Administrative Support team as well. Total oversight is therefore achieved.

Each Supervisor has the same specific set of Key Performance Indicators focussing on checking and work outputs, ensuring that every individual has a local, not company, development plan, and that every individual has a monthly 1-2-1 meeting which documents the discussions on these KPI's, together with any feedback from other information sources from the T&C Scheme Supervisor, and any actions taken or required.

With over fifty members of the T&C Scheme, there is a lot of information flowing, and it needs to be centrally recorded so that the T&C Supervisor can understand what is happening and where the Supervisors need support. Again, this is structured so that the T&C Scheme will collate all the information for the previous month within the first two weeks of the following month, then hold a 1-2-1 Meeting with each Supervisor before they have their own 1-2-1 meetings with their people.

Some firms may do this as routine. Other may be do this less frequently. Whichever way you do yours, key to the success of this process is that 1-2-1 meeting with each supervisor. The system we use to record the information allows a review, not just of the current KPI outputs but also the historical outputs immediately. So, for example, should a Supervisor want to review an adviser's file check records for the last six months, or if the T&C Supervisor wanted to discuss a specific trend that may warrant a training need, this information is available almost instantly.

Supervisors are by nature busy people. Often they do not have the time to run their teams effectively across all requirements by themselves, and this is where T&C can provide the support. A framework is important as it provides consistency across the board, so the Supervisors just have to follow the agreed process. No point in creating additional work as they will not buy in.

> "Whichever way you do yours, key to the success of this process is that 1-2-1 meeting with each supervisor

Ensuring that you do not take up more time than is necessary when you hold your T&C 1-2-1's with the Supervisors is also appreciated. Finally, make sure that whatever support they need can be delivered, whether this is additional training, focused CPD events, or assessments.

Apart from the feedback we provide from the T&C KPI Outputs, which is delivered by individual by KPI by result and reason for that result, other support that has helped our Supervisors, particularly this year, includes providing updates on those individuals personal CPD targets. Attendance figures for CPD events. Arranging training sessions from other providers. Collating MI from sources such as adviser feedback on para-planning draft reports, feedback on errors and omissions, complaints, NTU's, and client terminations. Facilitating new starter inductions. Tracking SPS renewals and exam results. All standard records but this is done for the Supervisor so they do not have to themselves, which, in my experience, is often the case in smaller firms.

We have been running this process for some years, although this year is the first time we've been able to properly facilitate, record, and deliver the MI to the Supervisors through our new cloud-based T&C system. The Supervisors, for the most part, have bought in and accepted the support provided to the point where T&C is now much better informed on what is going on around the business.

Supervisors cannot do it all themselves, although some try. They need support and providing the T&C Scheme is correctly positioned, we can deliver what the Supervisors need.

Setting achievement goals in your mortgage business

By Paul Archer from Archer Training

How to create more of what you want in 2022 for your mortgage advisory practice. This is the second part of a two part article

R – Realistic, Responsible

Realistic

Realistic has done the rounds for many years on goal setting. Not to be confused with achievable, realistic is all about how real it is for you personally. Are you 100% convinced it'll happen? What degree of certainty do you have to ensure it'll be achieved?

Responsible

Responsible is where it's at. You're personally responsible for the goal happening and the impact it has. Everything in life has a cause and an effect. The cause is you achieving the goal, the effect can be seen in three areas:

For example, you – your health or damaged mental health- reached a goal that completely burnt you out.

Others – how much effect did your goal have on other people. Who did you upset along the way, who was damaged by it? For example, you were so ruthless in getting the goal nailed before the year-end, you hurt your partner or didn't give them the attention they needed at the time. You were too laser-focused to the detriment of others.

The Planet – enough said. That fast car you wanted was built on a 4-litre fuel-injected engine that destroyed your carbon footprint.

T – Timed, Towards

Timed

Or timescale. This is where you put some date or time for when your goal needs to be achieved. Day, date and time all help. Is it next year, or will it never arrive?

One of the most potent time-based elements to goal setting is establishing your timeline and planting the goal inside your timeline on occasion it is achieved. We talked about this earlier and will revisit it very shortly. But next comes towards.

Towards

Towards is a another NLP'ism. One of the meta programmes is an awful title but very impactful. People see things along a spectrum of towards or away from. Some motivation is focused on achieving things in the future, striving for a goal heading towards something. On the other end of the spectrum is away from. Away from is propelling yourself away from something to achieve a goal. For example, losing weight, getting a better figure, or leaving the current relationship. Goal setting works best towards goals since we generally get what we set out for. Losing weight can be converted to gaining a meaningful frame or squeezing into speedos on summer holidays.

More powerful.

Timeline Goal Setting

This is one of those techniques that you must try to embrace the concept. It does sound a tad whacky. On my first timeline exercise back in the 1990s, they called it timeline therapy. Now, if that's not enough to put you off doing something serious and grown-up, I don't know what will.

But it worked; I was hooked. So I want to share with you how it works and how it'll deliver significant advantages in having some of your larger, hairier goals come true.

The first step is to believe this can work.

The second step is to discover your imaginary timeline.

Ask yourself the question, "if you were to point to where your time goes forward, then point now."

Now show me where your time comes from.

Join the two together, and you have a timeline. Showing the past (probably behind you) and the future (definitely in front of you).

> "One of the most potent time-based elements to goal setting is establishing your timeline and planting the goal inside your timeline on occasion it is achieved.

Next, you want to be able to float in your timeline just like you swim in a swimming pool. This is purely imaginary, and people like to relax and do this. Some folks want to close their eyes, but that's up to you. Floating along your timeline is very therapeutic; you can see and feel all the history and take a glance at your future too.

Now, let's get into the setting and planting goals. The concept is that you create and define your goal then pop if it has been achieved in the future. Let me demonstrate, and you can follow me with your own goal.

Timeline Demonstration

I have an important goal for 2022: to get involved as part of the team running the Professional Speaking Association (PSA) Virtual Chapter to benefit new and existing PSA members. I've been a member of the PSA since its inauguration in the UK in 1999. I have gained from all those years of self-development, ideas and creativity. I want to pay back, so to speak and aid members in running their speaking businesses virtually. It's one of those goals where some planning is needed but a fair bit of serendipity. So, I will plant this in my timeline to ensure I achieve it. Behind me is the past, and my future is directly in front of me. Remember, this is purely a metaphor to help your mind's eye.

As I float upwards into my timeline like the Jetstream in the Northern Hemisphere, I surge forward in its wake as soon as I enter it. My future is panning out underneath me; I can see what's going on as I flow forward. I stop moving forward when I reach the moment when I've achieved the goal. Next, I float downwards into my body at the exact moment the goal has been reached. Inside my own body, I want to check around me to get a feel for what's happened.

What do I see, feel, hear, smell, taste?

This is my well-formed outcome. I'm sitting on my stool in my studio, looking into the primary camera. In front of me, I have my four monitors where I can see all the audience on Zoom. It's early evening but dark outside, so probably autumn. We're all laughing; something has happened to make us chuckle. I think we're celebrating our inaugural session of the PSA Virtual Chapter. I feel excited and motivated. Who else is with me? Shelley is upstairs listening in.

That's the well-formed outcome; I'm not sure exactly when it is, but it's in my timeline, and it didn't take too long to get there, so probably about 9 months or so away.

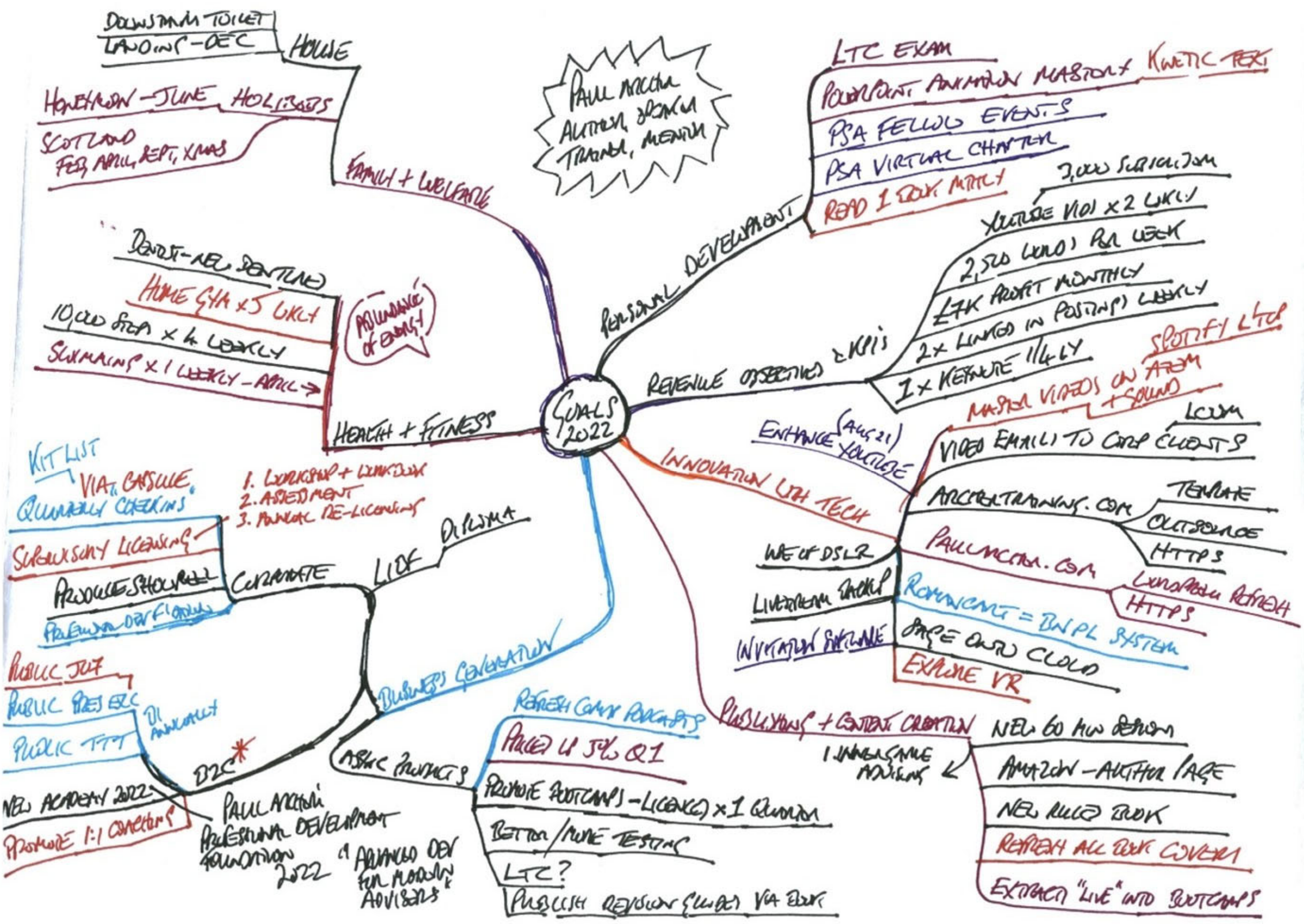
Next, I float out of my body up into the timeline and return to the current day. As I come back, I look down at all the things I've done to achieve my goal. All the small actions I've taken to progress, all the calls I've made, people I've spoken to, things I've done. There's a lot to do, but I'm letting my mind know what they are.

I return to my current time and pop back into my body. I've planted the outcome into my timeline. Every opportunity I have, I will repeat the exercise to cement the goal in my timeline and embed all the actions into my subconscious.

You create and set the goal using your conscious mind and let the subconscious decide how it will be achieved.

Converting Annual Goals to Quarterly Objectives

Now you have all your annual goals. Mine are always in a mindmap because it helps me keep them all on one sheet. The mindmap has the categories I use. These are my main focus points for the year and contain the goals.



I divide the year into quarters – Q1, Q2, Q3 and Q4, so I start in January at the beginning of the year with Q1. It's nothing more complicated than scanning what else is going on in the quarter and then determining which of my goals I want to get done in that quarter.
I suppose these are now more objectives than goals, but I'm not going to wax lyrical about the difference; it doesn't really matter.

Objectives and Strategic Next Actions (SNAs)

As the months evolve, I need to set tactics and strategies to achieve the goals. They're done via SNAs – or Strategic Next Actions. SNAs are those bit tasks or actions that step you towards attaining the goal.
Using my example of the PSA Virtual Chapter. SNAs will be talking to guest speakers, getting members for the chapter, emailing members, deciding on the structure of sessions, etc. These are just run of the mill actions that need to be done – I call them SNAs. This one is a self-development goal, so it is called SNA:CPD.
This indicates that they are actions towards that goal group. Other SNAs I have are:

- SNA:CPD
- SNA:Marketing
- SNA:Fee
- SNA:Tech
- SNA:BizDev
- SNA:Personal
- SNA:Writing

Now not every SNA will be towards a goal, but most are. It's a great way to ensure all your actions have a purpose and move you forward in your business. I use an SNA:Admin for everyday admin tasks in my task list.

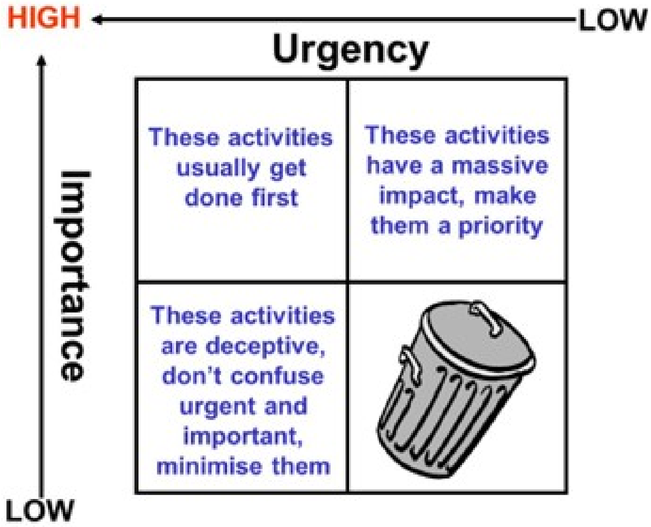
Colour Coding Your Diary

Our strategic next actions are clearly defined by our goals, and you really shouldn't do anything that doesn't contribute to those goals. However, the real-world kicks in, and we do end up reacting and doing tasks that are not directly relevant but need doing.
To keep these in check, it's often an excellent idea to colour code your calendar so you can see briefly whether you are on track or not.
Here's my suggestion:
Red – making money
Blue – marketing activities
Yellow – administration
Green – self-development
Orange – personal activities.
You can then see at a glance whether you're being productive or not:

Covey

Clearing Your Inbox Daily

Let's tame your email once and for all; I've known salespeople to drown in it. Here's how.
You can check email regularly for essential items, but it's best to do this every couple of hours – say 9am, 12 noon, 3pm and 5pm. But only to deal with urgent ones, leave the rest till later when you clear your inbox.
For a quick reminder of urgent versus important, you won't do worse than Stephen Covey's Time Management Grid. You can see below that he creates four boxes that determine whether a task should be done or delayed, or even ignored



You must clear your inbox every day. Here's how.
Choose a 60-minute window every day at some time, best before the close of play. Start with the first email. Can you handle it in less than 2 minutes? If so, address it. If it takes longer than 2 minutes, then put it into a task to be dealt with at another time.
If you don't want something, such as a subscription, see if you can unsubscribe. Be ruthless with these.
If it just needs filing somewhere, just drag it into the folder on your PC where it belongs.
Work your way through your emails in this manner, and you will clear your inbox. And you must do this every day.
Believe me, you'll feel good when you do.

Summary

Setting and achieving your goals is an essential task to be conducted annually. This has been my blueprint which you can freely use to maximise your mortgage business.

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.

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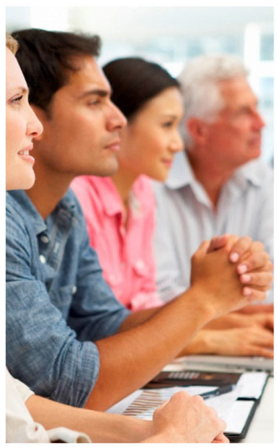

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Your Vision, Delivered

Prioritising modernisation of consumer credit regulations

By Chris Leslie, Chief Executive from Credit Services Association

> *"It is important that we move away from the current approach of treating all customers identically and simply grafting antiquated requirements blindly onto new iterations of regulation*

After many years of making the case for change, we have cautiously welcomed the Government's announcement of their intention to reform and modernise the now almost fifty-year-old Consumer Credit Act[1]. We recently published a new report which draws attention to the mismatch between the requirements of the existing legislation and the needs of modern society and business, calling on new Treasury Ministers to prioritise reforms.

While I welcome the Government's announcement, I also caution the fact that we have been down this road of promises and expectations before. With the Financial Conduct Authority's 'Consumer Duty' now published, it is more important than ever that this dated legislation is finally modernised.

Our report entitled, '***Modernising Consumer Protection: The Case for Reforming and Updating the Consumer Credit Act (CCA)'*** recommends the Treasury set out a detailed consultation timetable so that changes are introduced before the end of 2023 to avoid undermining the Financial Conduct Authority's (FCA's) obligation to introduce a Consumer Duty. We will be discussing this with the FCA at our upcoming online Consumer Duty workshop on 6 October (https://www.csa-uk.com/events/EventDetails.aspx?id=1673480&group=).

The report also recommends reform of consumer credit communications and suggests that the review looks strategically at the genuine needs of modern consumers. It is important that we move away from the current approach of treating all customers identically and simply grafting antiquated requirements blindly onto new

It has been widely recognised for many years now that some post-contractual information requirements never provided the information or accuracy that consumers actually need, while at the same time managing to undermine businesses' attempts to work with their customers. Slapping a bandage on already faulty requirements by suggesting yet more paperwork to explain failing regulations isn't going to cut it, if we are serious about the Consumer Duty.

The report also draws out the importance of policymakers recognising the environmental impacts of their demands. The current approach to regulation demands vast quantities of paper to be posted to borrowers, and often even when circumstances such as the exercise of forbearance makes the mandated information factually inaccurate. The report suggests that some of the existing statutory notices could easily result in producing a carbon footprint of at least 1.3 million kg, consume 1680 trees and using 420 thousand kWh of energy – just to provide inaccurate but compulsory information!

We are therefore recommending the new Treasury Ministers to pick up the baton of their predecessors and set out a timetable now to fulfil the legislative reform commitment. Comprehensible and joined-up consumer regulation demands nothing less.

The full report can be downloaded from the CSA website here.

[1] https://www.gov.uk/government/news/uk-commits-to-reform-of-the-consumer-credit-act

High Risk Investments

By Tony Catt from TC Compliance

The FCA has finalised stronger rules to help tackle misleading adverts that encourage investing in high-risk products.

Under the stronger rules, firms approving and issuing marketing must have appropriate expertise, and firms marketing some types of high-risk investments will need to conduct better checks to ensure consumers and their investments are well matched.

This follows concerns that a significant number of people who invest in high-risk products do not view losing money as a risk of investing and invest without understanding the risks involved.

These new rules build upon the FCA's more assertive and interventionist approach to tackling poor financial promotions, reducing the potential for unexpected consumer losses.

Weirdly, the new rules will not apply to cryptoasset promotions. However, once the Government and Parliament confirms in legislation how crypto marketing will be brought into the FCA's remit, the FCA will publish final rules on the promotion of qualifying cryptoassets. These rules are likely to follow the same approach as those for other high-risk investments. Crypto remains high risk so people need to be prepared to lose all their money if they choose to invest in cryptoassets.

The definition of "high risk" is subjective. **Personally, I think that cryptoassets represent "off the scale" high risk. They appear to be given values that do not make any sense. There is no underlying asset to value. However, it may just be that I do not understand how they work.** This ties in very nicely with the Consumer Duty of advisers ensuring that clients understand the solution that has been offered to maximise the potential of the client getting a "good outcome".

This Consumer Duty issue comes into the judgement of any arrangement made for a client. Most traditional high-risk products or arrangements can be suitable for clients, if they enable the clients to achieve their objectives and are explained correctly.

Conversely, even the most straightforward and simple products can be seen to cause harm if set up incorrectly or if they are not suitable for the clients.

Consumers need to accept responsibility for their decisions and actions and not be so quick to blame others or expect compensation when things do not go to plan.

This unwillingness to accept responsibility causes providers to be overly cautious and write disclaimers that nobody will ever read. How often do we happy a garbled disclaimer read out so quickly to fill an advertising time? Or McDonalds protecting themselves against claims by putting "this cup may contain hot liquid" on coffee and teacups. Really?

The FCA has also launched a consultation which could see Long Term Asset Funds (LTAFs) marketed to a wider group of retail investors and schemes in future.

The proposals out for consideration would provide access to non-traditional investments, which consumers might use to diversify their portfolio and for potentially higher returns, while still offering strong consumer protection.

In 2011, I worked with a firm that had set up a fund based on traded policies. The fund bought US whole of life policies from older people. The fund would pay the premiums and then claim the proceeds on the death of the policyholder. This provided a value for the policyholder who would otherwise have simply let the policy lapse. The fund would profit if the calculations were done correctly at the time of purchase.

Death benefit US$ 100,000
Expected term of policy – purchase to death – 10 years
Monthly premium - $100
Total premiums over 10 years - $12,000
Profit for fund built in $25,000.
Total cost of running policy $37,000
Purchase price $63,000

The price would be set after underwriting to ascertain health and life expectancy. The profit would cover for possible error in the original underwriting against the actual term of the policy.

This fund would get stronger as it matured and the proceeds would come into the fund with more continuity as time went on.

Due to the illiquid nature of the underlying investments, the fund allowed withdrawals and income payment on a monthly dealing date.

This fund was classed as an Unregulated Collective Investment Scheme. As such, it was considered in the same category as funds based on Brazilian rainforests, storage units and other "innovative and unusual asset classes". The whole of the UCIS fund sphere is denounced by the FCA as being "toxic". This led to many people wanting to withdraw their investments, which led to the funds quickly becoming illiquid or going bust, so that they became "toxic".

I have often wondered why the FCA seems to make exceptions to regulation – buy-to-let mortgages, cryptoassets, Non-Mainstream Pooled Investments (re-badging of UCIS). What advisers would actually want would be a kitemark system of investment and products that they can market and those that they cannot.

The FCA has refused to kitemark as it feels that consumers would see a kitemark as a guarantee of safety and suitability. The kitemark could simply run with risk warnings or simply to advise that products should not be bought without first having taken advice.

The wider marketing of Long-Term Asset Funds (LTAF) should be welcomed as this will enable diversification for consumers into physical property, life policies or any other funds that are based on illiquid assets. This could actually lead to a lowering of the risk levels of investment portfolios in the future. The Consumer Duty should ensure that advisers make clients aware of the illiquid nature of the funds and the possible effect on future withdrawals.

Sometimes consumes need to be protected from themselves.

Let's worry for mortgage borrowers not on a fixed rate – what can/should financial advisers be doing?

Nick Baxter
Baxters Business Consultants

Having written, last quarter, about the FCA Dear CEO Letter titled *"The rising cost of living – acting now to support customers",* I was very reluctant to cover any subject that could be considered close to it this quarter. But I can't let the further hike in Bank Base Rate ['BBR'] go by without any further comment. The Bank's direction of travel, if there was any previous doubt, is now crystal clear as evidenced by the fact that three members of the Monetary Policy Committee ['MPC'] preferred to increase BBR by 75 basis points to 2.50% rather than the agreed 50 basis points to 2.25%.
Elsewhere in the world, the US Federal Reserve have raised interest rates by 75 basis points for the third time in three months and have also promised further tightening as it ramps up its fight against persistent inflation.
So there you have it, the BBR is now at its highest level for 14 years. Worse, the minutes show that the MPC will take the actions necessary to return inflation to the 2% target, and while the MPC policy may *"not be on a pre-set path"* there is a clear message that if the economic outlook suggests more persistent inflationary pressures, including from stronger demand, the Committee *"will respond forcefully, as necessary".* The clear message from the previous MPC members doing the media rounds is that we can expect further increases. This is supported by the fact that market -implied expectations are now peaking at around 4.75% by mid-2023. For balance, the median expectation is 3.50% by March 2023. Even if the outcome matches the median prediction, rather than the peak expectation, that is still a further increase of 1.25%.
Clearly the 'give aways' in the recent 'mini-budget', which wasn't that mini as it was the biggest tax cutting budget since 1972, might soften the BBR blow for some. While the term 'throwing the kitchen sink at a problem' underestimates the level of the Government intervention and, of course, certain stimuli may help some borrowers it is not surprising that many existing borrowers, who are not on fixed rates, are concerned about the monthly increases they are facing.
What does this mean for financial intermediaries?

1. New business. The stamp duty threshold increase might support a revived income stream from a resurgence of first-time buyers, but that is dependent on a positive 'supply side', in the form of new build properties to purchase, or a ready market of homeowners trading up. From lenders' perspectives, because of the cost of living crisis, they are already seeing 'pipeline completion hesitancy' and many, fearing an uptick in default rates have tightened affordability models.
2. Existing customers. Now is the time for advisers to show their worth, in my humble opinion. For decades, intermediaries have battled with lenders over who 'owns' the client. Relationships between the intermediaries and lenders have, in some cases, become 'tetchy' at various loan milestones, such as at the end of a fixed or discounted period. A fragile truce was achieved when lenders started to pay 'retention' procuration fees. If there was ever a time for financial advisers to be proactive, it's now – particularly where they know borrower customers are close to ending a fixed rate or are already on a variable rate. There are numerous regulatory updates, past and present, to support such contact. These include Dear CEO letters (especially the one titled *"The rising cost of living – acting now to support customers"),* Final Guidance documentation (especially FG21/1 which built on the work of the Money Advice Trust) and various TCF and vulnerable customer advice notes.

No one can predict the outcome of the tension between rising costs (generally and directly resulting from BBR increases) and the Governments tax give away dice roll. However, what we all know is real households are struggling, even before baked in increases hit in the autumn and winter. My message is clear, professional financial advisers, who care about existing customers as much as they do about chasing new ones are part of the solution and not part of the problem.

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

Technology must be front and centre to deliver Consumer Duty

By Joseph Twigg, CEO from Aveni

> "The regulatory narrative and direction from the FCA is shifting to a *"show me"* rather than *"tell me"* position

Consumer Duty clearly is a game changer for the financial services industry and will demand a dynamic shift from firms to deliver, demonstrate and prove truly positive customer outcomes. Any organisation suggesting differently or not taking it seriously risks being left behind and a failure to comply could have serious consequences.

Effective compliance will result in the generation of significantly more data for companies, and particularly in the financial advisory space. This must be addressed robustly, analysed and reported appropriately and comprehensively. While the collection and demonstration of data is not a new requirement, the expectations and obligations outlined in Consumer Duty demand better evidence, i.e. that data must be prioritised or put first. The regulatory narrative and direction from the FCA is shifting to a *"show me"* rather than *"tell me"* position, which means that firms must have the ability to meaningfully demonstrate the data evidence. For the majority in the financial advice market that will mean a clear and structured plan to introduce or enhance technology deployment: that will be the key differentiator between success and failure.

However, that is where the challenge also lies. The financial advice industry has remained relatively static since the turn of the last decade, but it is now entering a period where it will be fundamentally disrupted over the coming decade. The industry has relied on historically high margins, slowing down change and, critically for this regulation, is a laggard in terms of the adoption of digital technologies. There have only been incremental improvements to client reporting systems, digital planning tools, platforms, CRM systems, and digitising fact-finding processes, for example.

Margins are now being compressed - a 10 per cent decline since the Global Financial Crisis according to PWC [1] - and new technologies will drive changes across all facets of the industry. The trend towards Private Equity-backed adviser consolidation and vertical integration, to enable the capture of more fees across the value chain, does not resolve the structural inefficiencies and lack of scalability inherent in wealth management businesses. This has diverted focus from the real issue and the next major challenge for the industry: operational efficiency and the provision of high-quality service to the masses in the post-pandemic 21st century.

The pandemic brought forward the use of digital infrastructure by a decade. The widespread adoption of video conferencing (VC) has fundamentally transformed the way advisers can serve clients. Advice firms have reported (via Aveni's internal research) that pre-pandemic, over 90 per cent of their business was done face to face and 10 per cent over VC/Phone, now some advisers report that 80 per cent of advice is delivered via VC. This new normal is driven by client demand.

There is a clear trend emerging for introductory meetings (fact find, presentations) to be done in person and ongoing service to be done via VC. Regional advisers can now market as national advisers. This presents a significant, untapped opportunity for Financial Advisers.
Capturing the data in a client meeting through recording, can be used to power a new era of automation and introduce data-driven technologies that have been previously unreachable for financial advice. A client meeting contains the data that drives post-meeting processes, from administration, to compliance testing, adviser competency, and suitability. Models can be trained to replicate these processes and effectively remove all low value administration, allowing Financial Advisers to focus on what both they and the client value, building great relationships and guiding clients through their financial futures.
The key operating model challenge is consistent data collection. If data capture processes are centralised and consistent, a significant amount of activity across the advice process can be automated. This poses an interesting challenge for the partnership model. Partnerships have typically struggled in establishing consistent processes across partner firms often resulting in differing standards in data capture and consistency. The adoption of data driven technology will start to drive a wedge between the two models in terms of cost to serve and operational efficiency.
Machine learning will fundamentally transform human centred advice, automating the inputs and outputs of each step of the advice journey, allowing humans to focus on their strengths; being human and building relationships. Data driven automation will allow scale that is out of reach to incumbent operating models, with advisers able to deliver improved service to significantly more clients at the same time as materially reducing the administrative burden with each advice case. Those who adopt an operating model designed for the consumption and processing of data will have a significant advantage. Light weight, cloud-based hybrid advice that consistently captures data at every stage of the process, has clear automated journeys through digital only, video conferencing and face to face. All of this, powered by technologies like machine learning and natural language processing will drive significant scalability into the advice process.
Consumer Duty regulation is a very deliberate and clear move to improve outcomes for customers, particularly those who are vulnerable, and to minimise risk. But it also brings the opportunity to enhance and promote good business management and ultimately deliver positive bottom-line impacts for firms. This investment in the right type of technology and resource has to be viewed beyond a compliance cost; this is the chance to think about more effective competition for better consumer outcomes facilitated by better data insights to enhance communications, engagement and ultimately profit.
We know that firms are collecting data but without proper analysis and process in place, that can be pretty meaningless. Projects are underway across many businesses to define outcomes, demonstrate good value and identify potential causes of harm. There are questions that firms need to be asking themselves to ensure that they are moving to a genuine data-first position:

- How are we collecting data?
- What kind of data are we collecting?
- How are we analysing it?
- What are we doing with the outcome and insights from the data we collect?

There must be a more robust approach to the use of technology as a proactive defence against risk and compliance failure. But it also presents an excellent route to greater customer insight, capability, communication and ultimately conversion. Those firms who move quickly will be at a significant advantage, but time is clearly of the essence. Consumer Duty is here now, and the October 2022 deadline for implementation plans is looming – fast. This regulation presents a crossroads for the industry and there is an opportunity to be left behind if it is not taken seriously enough with the right investment and focus on technology for the ultimate level of compliance.
https://www.pwc.com/gx/en/asset-management/asset-management-insights/assets/awm-revolution-full-report-final.pdf

Upscaling your people processes to meet the demands of Consumer Duty

Julie Pardy, Director Regulation & Market Engagement, Worksmart Limited

I'm not sure about you, but pretty much all the commentary I read on the incoming Consumer Duty (CD), is quite daunting. The root of this is several things; firstly, the sheer breadth of CD means it 'touches' every part of a firm, not just customer facing parts at the point of sale. Secondly, the focus on outcomes requires a complete mindset change, i.e. from focusing on processes and procedures to their consequences of their implementation and adherence, i.e. from thinking 'inside out to outside in'. And lastly, at its core, CD is about culture and behavioural change within firms. And with the FCA saying it will use its emerging big data capabilities, to analyse firms' behaviour without the need for data requests or supervisory visits. That sounds like a step change indeed to me!

Looked at it in this light, CD will be a major challenge for firms and senior managers, arguably more so than SM&CR – which at the time was seen as the most significant piece of new regulation for some time. And certainly, whilst approaching the implementation of CD will require a different approach, it does not necessarily mean starting from scratch. In my view, much of the good work put in by firms on their existing regulatory responses can be used as strong foundations for the change required by CD. And whilst the foundations laid by those previous regulatory responses will not always be enough, they will certainly be a significant contributor.

Let me provide some examples:

SM&CR

The FCA's stated intention with the introduction of SM&CR was around cultural change and personal accountability. The governance structures required by the senior manager element of the regime and enhanced competence requirements by the certification process, were seen by the FCA as tools to help deliver culture change. If your firm is one of those that embraced culture change through SM&CR, then you will be well positioned for CD, however, for the many firms that simply implemented the procedures and processes because they had to and did not drive through cultural change, these firms will find achieving the changed required by CD more challenging. That said, the foundations laid by SM&CR gives all firms sources of data that previously may not have existed and will assist in a consumer duty context.

Let me provide some key touch points for firms:

Overall Responsibilities: Whilst the FCA says that it does not want firms to prescribe a single responsibility for CD to one senior manager specifically, as it expects senior managers to be responsible for CD in the context of their own role, for example, a Marketing Director would be accountable for product design, a Sales Director for the sales process and an Operations Director for post-sale

> "And whilst the foundations laid by those previous regulatory responses will not always be enough, they will certainly be a significant contributor

These senior managers could use the discretionary Overall Responsibility to describe their responsibilities for their part of the customer journey.

Duty of Responsibility (DOR): All senior managers should already be familiar with the DOR and how they should be able to evidence how they effectively discharge their Responsibilities. These managers should extend their use of Reasonable Steps to cover their actions, and supporting logic, in relation to CD. For example, the Marketing Director could log the decisions they have taken as a response to outcomes-based data from his/her own function and/or customer surveys regarding the suitability of products they have designed and launched into the market.

Of course, the NED who is nominated as the CD Champion for the firm should be able to evidence their actions in pursuit of their responsibilities and how they are keeping CD 'front of mind' with the firm's CEO and Chairman.

Committees: Each of the firm's committees should be able to demonstrate via their meetings, minutes and actions log how the new CD is front and centre of their considerations.

Whistleblowing: the senior manager with the Whistleblowing Prescribed Responsibility now has a particular duty in relation to CD. They should ensure channels of communication are fully open to any potential wrongful behaviour in relation to CD. Similarly, they should not hesitate to refer this evidence to the board as soon as it is substantiated.

Breaches: Often linked to whistleblowing, investigations into any breaches by any member of staff, be it senior or junior provides a real opportunity to understand potential concerns from a CD perspective. If investigations highlight failings in the area of CD, lessons learned should be clearly shown to have been acted on, including any breaches caused by partner firms, bearing in mind the FCA expect to be notified if a firm identifies issues with a firm within the chain

If that is how SMR can support CD, the Certification Regime and Conduct Rules can also play a major role.

Conduct Rules: In addition to the existing 5 core Conduct Rules relating to all staff and additional 4 relating to Senior managers, a new Conduct Rule is relevant to all staff, i.e. *'act to deliver good outcomes for retail customers'*.

As part of the FCA's review of the initial implementation of SM&CR within firms, it noted that Conduct Rules training was too generic in many instances. CD provides the opportunity to put that right. Training for the new Conduct Rules should be role relevant, in other words, how does acting to deliver good outcomes for customers play out in an individual's role. Doing this will take more resource to design and deliver but will provide significant benefit in supporting CD and, importantly, being seen to take CD with the seriousness the FCA expects.

Certification: the regime itself is designed to evidence both competence and appropriate behaviour, through adherence to the conduct rules relevant to each individual. In addition, the certification element will enable firms to demonstrate wider competence in key roles. Therefore, evidence from these elements of SM&CR could be used as part of a firm's data-set in the context of CD.

Training and Competence

Whilst not all firms are formally required to have a Training and Competence (T&C) scheme, there is most definitely a growing trend to apply this effective competence framework to a wider audience of firms and individuals within them. That said, given that every firm operating in the retail and investment banking and insurance sectors giving retail advice should have a T&C scheme, this represents a significant number of staff where additional competence metrics will be gathered that can invariably be considered in the context of whether the firm (and the individual) is delivering good consumer outcomes in their role.For those firms with T&C schemes, like Conduct rules and Certification, the data provided by the application of the schemes should provide senior managers with a rich source of data that could be part of the people centric data that CD will demand.

Other Regulatory Processes

In addition to SM&CR and TC&C, both of which are 'people centric' regulation, there are several other regulatory processes within firms that will provide potential valuable data on CD from the consumer perspective., Let's consider for a moment both the on-boarding of customers and then the management of their concerns when things go wrong.

Know Your Customer (KYC): The customer data gained from KYC processes provides valuable insights for organisations when set alongside other data, such as sales, as to whether their products are being taken up by their intended target market. Potential disconnects between intended and actual customers buying a firm's products and/or using its services should lead firms to further investigate the causes of any disconnect and therefore possible non-conformance with CD. Of course, firms who are already subject to the PROD rules will have a head start in respect of CD against those that are not subject to them. However, as we have found on many occasions, just because a Rulebook says firms should be doing things and doing them in a certain way, doesn't necessarily mean that all firms do.

Complaints Management: Complaints should provide a rich source of date for firms in understanding the extent to which their behaviours are creating 'good outcomes for consumers' as required by CD. The number of complaints made, complaints upheld, timescales for resolution and typical redress payments paid and all aggregated over each regulatory reporting period, will provide firms with powerful indicators about how the organisation are meeting customer needs (or not as the case may be) across all areas of an organisation's operations. Additionally, the root cause analysis required of firms by DISP should provide deeper insights into the areas within a firm's policies and procedures, pointing to where things need to change to ensure that the firm delivers against the new CD requirements. If used wisely, complaints data will provide valuable information into all four consumer outcomes and so helping firms adjust their products, services, behaviour and/or approach in line with the FCA's expectations.

At the end of the day, what will be a key tool in a firm's approach to achieving all that CD seeks to deliver? Evidence, Evidence, Evidence.

If evidence is the key, how might firms achieve what might be required (bearing in mind the FCA has said it will not define new regulatory reporting on the topic or define what data a firm should consider.)

Part of any organisation's response to such all-encompassing regulatory change such as this must surely be the potential utilisation of RegTech to help firms not only with their process and people management, but with their production of meaningful MI.

Any implementation plan put before the board for sign off in respect of CD will surely have a technology component, won't it?

If we consider for a moment some high level areas where RegTech has already proven its worth such as.....

- Streamlining and Auditing Marketing
- Effectively on-boarding new customers
- Improving Risk Management and oversight
- Supporting good Corporate Governance
- Strong people management and oversight
- Effective complaints management
- Enhanced Time and Cost Savings
- Improved clarity over accountability
- Data creation for regulatory reporting

Surely senior managers will be missing a trick if the more effective use of technology in pursuit of good consumer outcomes is not a key deliverable of this project.

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

***Lisa Nowell,** Chief Risk Officer, Masthaven Bank*

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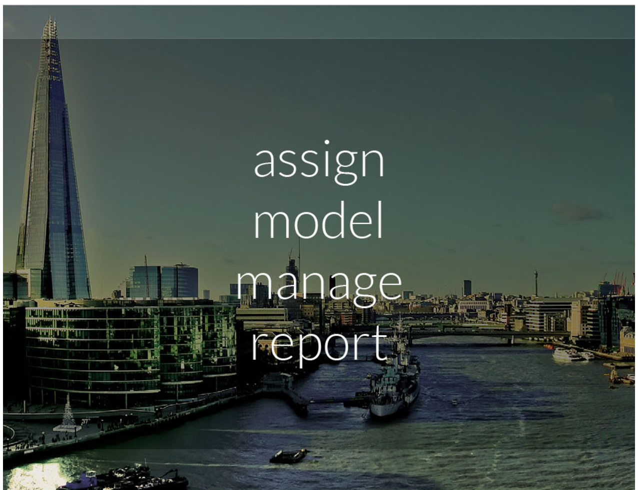

"The basic principle of the Senior Managers Regime is that of responsibility and accountability. A senior manager has to take responsibility for the activities under their control. Likewise, they should be accountable for that responsibility"

***Andrew Bailey,** CEO – FCA, 2018*

The Consumer Duty – T&C next steps.

By Lynne Hargreaves from Clearstep Consulting

By the time you are reading this article your firm's implementation plan detailing how you will meet the Consumer Duty's fundamental principles should be finalised or be remarkably close. And, given the nature of the Consumer Duty improving customer outcomes will be at the very core.

Actions relating to the product and services and the price and value outcomes will feature, as will customer support and understanding across the end-to-end customer journey. Given the diverse readership, these plans will have different focuses and priorities, however, I am hopeful that the training and competence of staff will be a consistent theme for you all.

From a people perspective, the Consumer Duty affects everyone within the firm. It requires capable Senior Managers to ensure that the culture drivers of leadership, people policies, governance, and purpose align to support the delivery of positive customer outcomes as well as eliminate the negative ones. And, through the introduction of the new Conduct Rule, there is a greater level of expectation and individual accountability for most staff.

So, what does the Consumer Duty mean for T&C teams, and what practical steps can you take to get ready?

First, if you are not already part of the Consumer Duty project, make sure you are. Take the learns from the SMCR implementation where some T&C colleagues were not engaged until the latter stages.

Lots of firms approached SMCR with a "silo" mentality focussing on the technical change, the detailed rules, and the processes. For example, what did the process design need to include to ensure the new regulatory referencing rules were met? What were the process and records required to support the Fitness and Propriety assessments? Earlier engagement with T&C to also determine what should factor into the assessment of competence and capability of individuals, rather than just the process design, may have led to a more effective change.

Second, be clear on the required scope from a people perspective. I understand that the sphere of influence for those involved in T&C across firms differs. This ranges from staff whose activities fall under the TC Sourcebook, to staff in customer-facing roles, through to all staff within the firm. The introduction of the new Conduct Rule will require training for the majority. There also needs to be a focus on the staff that will implement the Consumer Duty and manage the delivery of customer outcomes on a day-to-day basis. So, do the practices of T&C need to be introduced to other areas of your business?

Thirdly, once you have your agreed people scope you need to determine any knowledge, skills, and/or behavioural gaps with the corresponding actions. To identify the gaps, you need to first establish "what does good look like?" in the context of the individual's role and the required customer outcomes. For firms that have kept pace with expectations around customer outcomes, there is less to do in this area. However, for some, this will represent a significant shift and bring about the greatest challenges. What does a good customer outcome look like across the different customer journeys that staff support? How will you articulate this? Take for example the mortgage customer journey - customers "need" a mortgage to buy their house, but they don't "want" one. Dare I say some customers will say what they think you want to hear to get the mortgage? These customer conversations are where risks lie which could lead to poor outcomes. Information needs to be provided at the right time in a way the customer can understand. It's no good to just pepper the meeting with "are you happy with that?" or "do you have any questions?"

The customer journeys, whether they be complaint handling, opening a bank account, or advising on a mortgage, need to articulate the principles to be adhered to and the desired customer outcomes to be achieved. Once these are defined and/or the outcomes reviewed you can ascertain whether any people competence gaps exist and design the appropriate delivery solutions.

Lastly, agree on how you are going to evidence, measure, and monitor the competence of the staff delivering these defined customer outcomes. What assessment tools will require updating? Will you take the opportunity to embrace the spirit of the Consumer Duty? Could you include customer feedback as part of the assessment of staff competence? Remember it is the achievement and demonstration of a good customer outcome that matters!

Now I'd like to hear from you.

What are your people priorities – reviewing training for new starters or the way your staff support and interact with customers? How will you review the standards needed to determine competence? Do you have gaps in your T&C MI?

About the Author

Lynne Hargreaves is the Director at ClearStep Consulting.

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

Catalyst for change

By Adrian Harvey from Elephants Don't Forget

"If it ain't broke, don't fix it". The expression apparently originated in the USA in the 20th century and is often attributed to Thomas Bertram Lance (1931 – 2013), known as Bert Lance, who was a close adviser to Jimmy Carter during his successful 1976 campaign and became director of the Office of Management and the Budget (OMB) in Carter's government.

So what? Well, I was contemplating whether this seemingly pragmatic attitude encapsulated the City of London's collective view of employee Training & Competency (T&C).

The default employee T&C model for the UK FinServ sector is characterised by 'lowest-cost-to-tick-the-box' behaviour. Typically, a new starter in a firm is inundated with online learning and required to complete this as part of their induction. Once they have done so they are then doubtless subjected to annual refresher training. The precise nature of which varies by firm. Some choose to spread the "pain" throughout the year, others serve it all up in one month.

In any event, the training tends to be of a one-size-fits-all variety and includes a "test" at the end of each module/subject matter, frequently allowing the employee unlimited chances to retake it until they pass.

The purpose of the test is apparently to prove the employee has consumed the refresher training and achieved – an often unfeasibly high – pass mark. Box ticked; job done.

Certainly, some firms have acted of late and reinforced the governance around the process. They do not allow users to fast-forward through the training straight to the test at the end, instead the employee must patiently sit through the training before they take the test! Also, some firms limit the number of times an employee can re-sit the test, but this is window dressing at best; it doesn't change the outcome.

I speak with literally hundreds of firms a year and despite these recent refinements undertaken by some, I rarely come across a senior manager prepared to defend this model as delivering against the spirit of the legislation. Certainly, it ticks the box, but what it doesn't do is ensure individual employees are appropriately knowledgeable and competent in roles relative to the legislation affecting that firm.

We know this for a fact because when we socialise our Artificial Intelligence to profile genuine employee competence, the average employer scores just 54%.

Meaning employees know about half of what they are required to know to be compliant in-role.

To date, this fundamental fail hasn't really caused firms in the sector any trouble. FCA fines totalled 21 across 2020-21, with none of the reasoning behind them directly referencing T&C.[1] Ironically, the majority of the reasoning seems to be conduct and competency related, but hey: "if it ain't broke, don't fix it."

The thing is: it is broken, and it does need fixing. Certainly, some firms are ahead of the curve and acknowledge there is economic and emotional value to be had in ensuring employees are genuinely capable and competent in-role. From harvesting employee performance improvements, attracting and retaining talent, and sleeping easy at night knowing that in the event of some failure that attracts the attention of the regulator, senior management can rely on best-in-class evidence of employee T&C rather than questionable refresher training data.

But most firms will need a bigger catalyst to change because inevitably changing from the lowest possible cost model to one that works is always going to involve additional expenditure. An English equivalent might well be, "if it isn't broken, let's not go spending money on changing it."

However – I'll say it again – it is broken, and it needs fixing, and the sooner firms start to properly invest in their employees' workplace education, the sooner they will reap the rewards.

"However – I'll say it again – it is broken, and it needs fixing, and the sooner firms start to properly invest in their employees' workplace education, the sooner they will reap the rewards.

By way of an example as to how ineffective the sector's current default model is, let's look at cyber security. Historically, almost all firms took the same approach to cyber security training. They would just lump cyber security training in with the regulatory required learning. It's another box to tick. But, in this instance, the consequences of this tick box approach are arguably far more serious and present.

The cyber security threat is probably the biggest single non-trading risk that a firm faces today. The single biggest cause of data breaches is employees of the target firm not following procedure or doing what they have been trained to do.

The World Economic Forum's Global Risks Report 2022 states that '95% of cybersecurity issues can be traced to human error, with insider threat (intentional or accidental) representing 43% of all breaches'.

With hard-won brand reputation on the line and the prospect of fines, compensation and ransom payments, cyber security alone is proving to be the catalyst for firms to change their approach.

As a result, many firms are urgently seeking an employee T&C solution that genuinely delivers cyber-security competent employees. Rarely is this about lowest-cost-to -serve, fastest time to complete or ticking a box. Instead, it is about authentic training and support of employees, so they know and retain the required training to be vigilant, mindful, and competent.

Perhaps the combination of the new Consumer Duty – requiring firms to empower rank-and-file-employees so they can deliver the correct help and support to customers – alongside a steady increase in the regulator's use of sophisticated technology to amplify their reach will prove to be the catalyst that forces many firms to bury the tick box approach and start doing employee T&C properly. And if it doesn't, perhaps market competition will help?

One study found that 87% of millennials state that learning and development opportunities are a very influential factor when deciding whether to accept a new job.[2] Since millennials are set to make up 50% of the workforce by 2025, it is vital that businesses cater to the new majority by providing learning and development opportunities. The same study went on to say that 94% of employees would stay longer at a firm that invested in their career development.

I wonder how many of those millennials look at the default tick-box approach to regulatory training and thank their employer for developing their career!

Employers who find genuine and authentic ways to help their employees be more effective in-role, over time, will outperform those firms who fail to do so. This has nothing to do with ticking a box for the lowest cost, but everything to do with genuine workforce development.

"Saving money" on employee T&C now will almost certainly prove a false economy over the remainder of the decade. I wonder how many executives would be prepared to revisit investment in employee T&C if a sound business case could be provided for economic return?

1 https://www.fca.org.uk/news/news-stories/2021-fines

2 https://hrnews.co.uk/the-importance-of-employee-learning-and-development/

Working with our IFA partners: The golden rule

John Reynolds

Expert Pensions Limited

> "In the context of specialist pension transfer advice, client understanding is critical. It is absolutely key. And like all interactions with clients, should be evidenced and challenged

The recent paper from the FCA [FG22/5] prompted me to think about how we work with our IFA partners (our Introducers). Specifically, it prompted me to think about how we can support our IFA partners with their duties under the new consumer duty regs.

The FCA framework (around the ''new''consumer duty described in PS22/9, with guidance in FG22/5) has been developed by the FCA to regulate for a principles based financial services profession in the UK - which impacts on everyone, every firm and every level of business. That includes us and our IFA partners who Introduce clients to us for specialist pension transfers advice.

Our IFA partners (that means you) will want to know that we, as your partner firm, are delivering good consumer outcomes, as per PS 22/9.

What makes a good partner with specialist pension transfer permissions, working with your firm and your clients? What is the golden** rule when working in partnership with other regulated firms?

I'm going to quote directly from the FCA:

'Am I treating my customers as I would expect to be treated in their circumstances?'

Is this the new golden rule for firms offering regulated financial planning advice in the UK? This is a direct quote from FG22-5 [FCA FG22-5, page 24 para 4.4].Let me paraphrase that:

Are we treating your customers as you would expect to treat them yourself?

That is the golden rule, the acid test.Let me walk you through what the consumer duty means for us and our partner IFA firms.

Let's start by reviewing some of the key parts of the new consumer duty framework - and then look at how and where they apply to clients, our IFA partners and us. Firstly, the FCA expectations:

Provide products and services that are designed to meet customers' needs, that they know provide fair value, that help customers achieve their financial objectives and which do not cause them harm;

We will work with you to provide your clients with products and services that meet their needs over the very long term, not just when we give the specialist pension transfer advice, but when you manage your clients over the long term, in retirement.

Communicate and engage with customers so that they can make effective, timely and properly informed decisions about financial products and services and can take responsibility for their actions and decisions;

We video record every meeting. Those videos are accessible in the final suitability report, for both you and your client to reference at any point in the future.

Not seek to exploit customers' behavioural biases, lack of knowledge or characteristics of vulnerability;

Every one of your clients goes through triage videos and friendly challenges at every stage. They have time to think, reflect and challenge.

Support their customers in realising the benefits of the products and services they buy and acting in their interests without unreasonable barriers;

We work with your clients and you, to ensure that our specialist advice is suitable for their long term retirement planning objectives.

Ensure that the interests of their customers are central to their culture and purpose and embedded throughout the organisation;

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Everything we do is focused on your clients. The journey from triage, to abridged advice through to full advice is focused on your client and the your client making informed decisions about each step.

Monitor and regularly review the outcomes that their customers are experiencing in practice and take action to address any risks to good customer outcomes.

We work with you after the advice is given to ensure that the handover is smooth and continues to be smooth in the years ahead.

At the very top of our focus, in working with you and your clients, is the new consumer principle:

Consumer Principle, Principle 12, requires firms:

'act to deliver good outcomes for retail customers'

Principle 12 reflects the positive expectations the FCA have of firms conduct, and desire for firms to think more about customer outcomes and place customers' interests at the heart of their activities. It should prompt firms to ask themselves:

'Am I treating my customers as I would expect to be treated in their circumstances?'

The new golden rule in financial services.

Here is a very important example (from FCA) to make it easier to understand: *Firms are not expected to protect customers from risks that come from the nature of the product (such as investment risk), where they have complied with their obligations under the Duty and have good reason to believe the customer understands and accepts that risk.* This is vital in pension transfer specialist work.

Risk assessment is a key part of our work. It is a key part in several key meetings, discussions and challenges. There are key outputs - all agreed with your client. Remember, the new consumer duty should prompt firms to ask themselves:

'Am I treating my customers as I would expect to be treated in their circumstances?'

The new golden rule in financial services.

As well as the new consumer principle (principle 12), there are four key outcomes. I'm not going to discuss all four key principles set out in PS22/9 (I'll come back to them at some point in the future). I want to highlight a key output: Client Understanding.

I'm going to change the order here (from the FCA listed order) and put Client Understanding as the number 1 output on my list (not number 3, as the FCA have described the outcomes list). In the context of specialist pension transfer advice, client understanding is critical. It is absolutely key. And like all interactions with clients, should be evidenced and challenged.

Client Understanding outcome

''Consumers can only be expected to take responsibility (for their own actions, their own planning objectives and own plans) where firms' communications enable them to understand their products and services, their features and risks, and the implications of any decisions they must make.'' I have paraphrased this from the guidance

issued by the FCA - and they go on:' *We (the FCA) want firms to support their customers by helping them make informed decisions about financial products and services. We want customers to be given the information they need, at the right time, and presented in a way they can understand. This is an integral part of firms creating an environment in which customers can pursue their financial objectives. When interacting directly with a customer on a one-to-one basis, where appropriate, tailor communications to meet the information needs of the customer and ask them if they understand the information and have any further questions. Firms should test, monitor and adapt communications to support understanding and good outcomes for customers.''*

In other words, it is education first. We will help, support, guide, mentor and advise your clients as to the choices, risks and options.

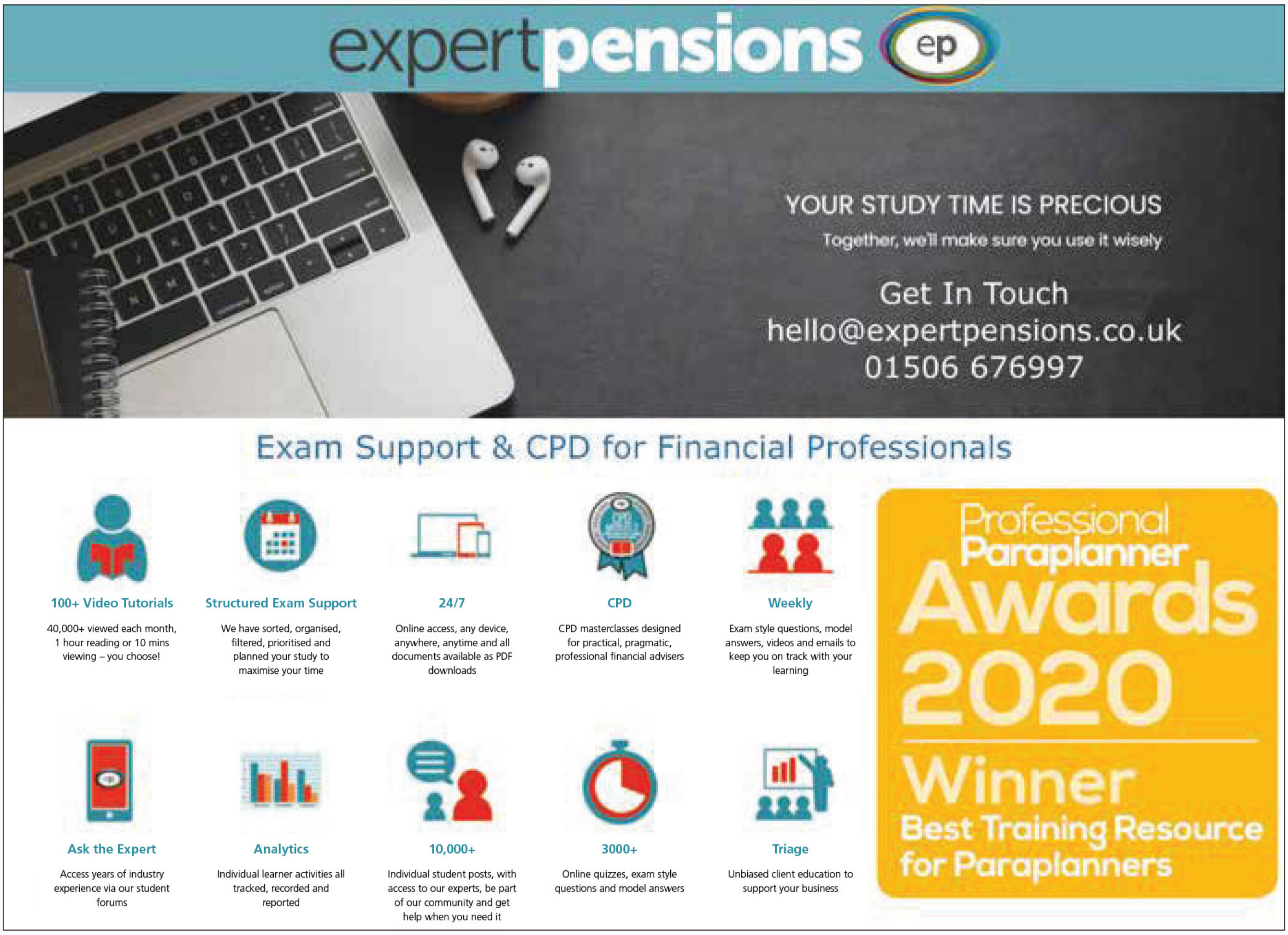
They go on and describe further: ''Effective communications are those which can be understood by the customers. Firms should check that communications can be understood by customers, so they can make effective decisions and act in their (best) informed interest. For example, by layering information, making communications engaging, relevant, simple and timed well.''

You will be pleased to note that in all our interactions with your clients, ''Client Understanding'' is at the forefront of our advice and our advice process - which is designed to enable time for reflection and challenge at every step. In fact, our traditions and foundations in education and training are at the heart of our advice: it is always education first for your clients. In summary, in consideration of the new consumer duty (PS22/9) and client outcome 'Client Understanding':

a. Start with education;
b. Challenge the client and inform their understanding;
c. Explain the service, the cost and the value.

If you are reviewing your partnerships to ensure that they operate with PS22/9 and FG22/5 at the core of their business, then look no further. For more information on Expert Pensions Advice please email advice@expertpensions.com

Footnote: quoted directly from FCA 22/5 and PS22/9 papers



Key strategies for team empowerment

By Michelle Hoskin from Standards International

There is nothing worse than knowing that you have the potential to do something, only for someone else, or something, to take that potential away. A scenario in which you feel empowered succumbs instead to feelings of being overpowered.

The relationships we build, and the power they hold, are where the real magic exists within financial services. The relationships that you have with your clients, with your team and even with yourself are key to achieving many of the positive outcomes that, deep down, you know are within reach. Our relationships, when managed well, can be superchargers.

However – and there is always a 'however' – empowerment is sadly one of the things that is missing from so many of the relationships that I see every day within firms.

Why? Well there are many reasons for this, and each one will depend on the type of relationship that we are talking about. But one thing is for sure, empowering will beat overpowering every day of the week!

So, let's break this down to help us understand why this happens and how we can make the change to unleash the potential that lies within each of us!

Our relationship with our clients

I was once listening to an adviser speaking to one of his female clients. Due to a recent divorce, she had lost some of her confidence and was becoming more and more reliant on his presence and advice. I had watched from afar for a little while and often checked in with him to see how she was doing, as I was concerned that an unhealthy dependency on him was forming.

The crunch moment for me came when she was going through the process of buying a house. At the time, I heard him say to her on the phone: 'Would you like me to make the offer for you?"

I instantly felt uneasy about his proposed offer and made a beeline for him as soon as he put the phone down. While he was trying to help, he was in fact shrinking her space for action by creating an unnecessary reliance on him and preventing her from functioning independently. Over time, her independence – and her confidence – was diminishing. Despite his best intentions, he was doing more harm than good.

After a somewhat animated conversation, I explained to him that she needed to become her own person again, in order to move forward and start not only to rebuild her life, but her confidence. She needed the support, positive encouragement and reassurance that he would be there as her guide, but not as her parent!

He was overpowering her, trying to help but actually hindering her growth and the sense of personal achievement that would come from her moving forward independently.

I would encourage you to take a moment to reflect on some of your own client relationships and ask these questions:

- How dependent on you are your clients?
- What might you have done to create such a reliance on you to be there and to do so much?
- Are these dependencies more for your benefit, or for theirs?

And last but not least, ask yourself:

- How could you turn overpowering to empowering!

Our relationship with our team

If we build on the point I made above but now turn our attention to the relationships we have with our team, I think you will see some similarly limiting characteristics in our approach to those that we have brought into our team 'apparently' to help us move our businesses forward.

We hire with such amazing intention, believing that this person is 'the one' who will make all the difference. You hope that all the promises that both you and they have made will come true!

Yet, at the first sign of a mistake – a slip in judgement or a simple human error – trust is broken, the hackles go up and 'mission control' kicks in, creating an instant reduction in the space for action that your previous 'rising star' was given in which to do their job.

This overnight shift in the way that they are managed – from empowering to overpowering – kick-starts their journey to one in which they feel totally unengaged doing the work that they so hoped they would love. It's a lose–lose situation all round!

While I totally understand the knee-jerk response to such an event is part of our DNA and the automatic reaction of our two-hundred-million-year-old brain, it's not helpful and is the start of a slippery slope to nowhere!

The key is to empower your team: empower them to be themselves, to test their confidence, to lean in and to speak out, to make mistakes (within reason, of course) and to bring a fresh eye to what may be outdated, inefficient and time-consuming ways of working!

At the end of the day, it will be your choice, but think about it this way: you're paying for them to do a job – either let them do it ***fully***, or let them go!

Our relationship with ourselves

As planners and advisers, your skills and abilities to inspire your clients to change their lives for the better never cease to amaze me. But on at least a monthly basis, I find myself reminding our clients during one conversation or another to simply 'get out of their own way!'

Their sheer drive, determination and often stubbornness to do things only their way, and the only way they know how, can be more limiting than enabling!

It sounds strange that any one of us holds the power to overpower ourselves, but I see it happen all the time. Overthinking, over-controlling and even being controlled by events and activities of the past, can stop those of us who, deep down, know that they are in fact their own worst enemies, stopping themselves from moving forward and achieving their own potential in more ways than one!

So do yourself a favour – hold a mirror up, take a look at yourself and do a reality check of what you know and what you don't. Remind yourself about what gives you the spark and what puts out your flame, and – most important of all – reflect on whether it is you, yourself, and not someone else, who is getting in your own way.

The Art of the Pitch: competing for new clients through professional relationship building

By Phil Ingle from Phil Ingle Associates

> “The thread running through them is ensuring your behaviour is tilted towards building trust and relationship, through which you will land more business

If your clients and prospective clients want to meet you, how should you tailor your approach? While banking online and through mobile apps has become ‘the norm’ in the 2020s, some segments still need a personal approach. This is more noticeable in sectors where a standard offering does not go far enough for some client needs, such as wealth management and in handling unusual client requirements.

My work with wealth managers has revealed that their world, which used to be a stream of ‘beauty parades’ (disgusting phrase, their words), is still people focused. They still need to present themselves to new clients, possibly alongside competitors, and naturally this can happen online or face to face.

Hard data in this area is difficult to come by, not least because of the need for client confidentiality and also that some institutions have different approaches. Yet my work in training and coaching financial services professionals in sales, presentations and pitching reveals a number of common areas for improvement: attention to how you present yourself, what you say, and how it comes across.

Here are some key areas to focus on when preparing and presenting your pitch.

1. **It’s about the client, not you**. Coming across client focused claims on marketing material and websites is easy enough, yet the client contact reality may fall short. While a brief – one line – introduction about your firm might be acceptable, a pack of PowerPoint about how many millions/ billions you manage, how many staff you have, how smart your offices are looks out of date. It is also the same type of information your competitors can transmit, and most clients do not care about. Such ‘hard facts ‘are not where the competitive edge lies.

   Instead tailor your approach to the client, what you think their needs are, and involve them in a conversation with questions to test their exact requirements. This is not just KYC but managing your approach to match your offer to the client, while demonstrating -not just saying – your client focus. One test for this: have you used your PowerPoint deck with another client? Second test: can you do it without the slides?
2. **Where’s your difference?** If you view the websites of a selection of wealth managers and financial services firms, you will notice similar language, subtly altered through an intersection with uplifting images courtesy of someone creative in marketing. Yet the reason you will be pitching is

because the client is looking at the people in your firm and the relationship they want to build, summarised into the short but crucial 'fit'. Most experienced financial services professionals can do great research, active investment management and discretionary management. Even suggesting 'it depends on the client' may not mark you out positively from your competitors. Remember too that reliance on 'star managers' is different post Woodford. Demonstrating differences in intangible services will always present a challenge, and the challenge is to show what you do or how you do it works for the client in front of you. One option is through case studies of portfolios managed – fully anonymised of course – focusing on the outcomes for the client, not just portfolio performance.

3. **It may be more than just money** – among the wealth managers I have worked with over the last year all reported that clients are at least aware, and a majority interested in, elements of Environmental Social & Governance (ESG) issues when investing. This provides an opportunity for differentiation as not every client is necessarily interested in all of ESG: they may favour the E or the S more than other factors. With some charity clients the G element can demand more attention too. Part of the 'art' here is using your client meetings to actively listen to what is most important to them, and professionally question their approach to help them find their priorities. A consultative approach as a part of a presentation or pitch
4. **What is value to the client?** As a professional you will easily work out the value of the client to you, but repositioning this as where you add value to the client will be more successful in a pitch. Once more this requires an enquiring approach rather than emphasising what firm you are: this enables you then to connect how you can help the client more precisely.
5. **How do they want to see you?** – even if some consider us post pandemic, do not be surprised by a last-minute switch of face-to-face meeting to go online. In my experience it is rarely the other way round. When pitching online resist the temptation to use your laptop on the kitchen table, or even the conference facilities in the board room. Some of the latter can position you too far from the camera so that your board room may be seen – but not your eyes and face. Technologically a good -sized screen with separate camera at eye level and separate microphone remains the optimal online approach, and in a 'team 'situation ensure all have a similar set up. The ABC (Appearance, Behaviour, Communication) of first impressions stays relevant: which is also good reason for the next point….
6. **Practice** – if fellow professionals in sports and arts practice and rehearse, take that as a clue about your own approach. A practice session need not take longer than a normal meeting but combined with feedback from your peers and can enable you to come across more confidently because you already know where you expect the meeting to go. Inevitably the reality will be different but running an important pitch in advance prevents nerves and helps you look professional, not least because in practicing you have behaved like a professional.

These points will help you progress you pitch and client approach. The thread running through them is ensuring your behaviour is tilted towards building trust and relationship, through which you will land more business. Your clients know that too – which is why they may hate your slides, but still love you and your firm.

How pension dashboards may shape the new consumer duty

Henry Tapper
CEO Age Wage

> Should a dashboard's success be measured by its ease of use, the completeness or accuracy of the data - or should it be measured by the good it does?

It's already a commonplace that the Consumer Duty shifts the obligation on those providing financial services from "*treating a customer fairly to treating that customer well*". The Pension Dashboards set out to provide a good customer experience, they will be judged on how they satisfy consumer needs and so will form a pattern and benchmark for the consumer duty.
In this article I explore how they are likely to interact with existing channels of advice and guidance and speculate on the impact they will have on people's behaviour, especially as they wind down their working careers.
One of the most intriguing aspects of dashboards is how the FCA will regulate the user interface so that ordinary people get a good experience. There's a lot of thinking about what defines "good" in this area.
Should a dashboard's success be measured by its ease of use, the completeness or accuracy of the data - or should it be measured by the good it does? Is there some utilitarian calculator that can tell whether pension dashboards are making the customer feel better or even make them better off?
The usual measure of an online tool's effectiveness is its capacity to increase assets under management but in a fast-ageing population, some pension schemes are already in "net outflow" with money being paid out faster than it comes in. This is particularly the case in the corporate DB market where schemes are shrinking not just due . to ageing but due to de-risking as schemes seek to pay out CETVs rather than pensions.
For the past 20 years, there have been two important trends in retirement provision; the first is a reduction in the accrual of defined benefits and the second an increase in saving for wealth.
Auto-enrolment has so far been about building up the biggest possible pot of money, defined benefit schemes have turned from a "national treasure" to a treasure chest.
But the pension dashboards will arrive at a time of changing demographics. There is a maximum number of savers joining workplace pensions and we are fast reaching it. Fewer people are joining the workforce, and more are leaving it. The ONS reckon that some 700,000 crystallise their DC pots each year, rather more than the number of new DC savers. The utility from the dashboard is likely to be skewed towards those with multiple (often lost) pots and with retirement on the horizon. For them happiness is increased from the dashboard's capacity to find pension pots and combine pots and future pensions into a projected retirement income.
So - counter intuitively - the pensions dashboard is likely to accelerate the amount of pension spending rather than saving. The Government is keen to encourage people to "think ERI" or "expected retirement income", rather than to "think pot" - or "pension wealth". This is challenge for advisers whose clients are less likely to be dependent on a regular income stream than on accumulated wealth. Will the dashboards shift the dial back towards the traditional idea of a pension - a stream of payments paid till death?
In Australia, the Government's problem is now less "adequate saving " and more "adequate spending". The Retirement Income Covenant is the Australian's way of getting people into the habit of turning wealth into income. We've yet to see whether legislation will get Australian savers to stop hoarding their pension savings but one metric for success in the UK - may be the dashboard's capacity to

improve spending (decumulation). Just how we project forward people's pots as prospective income has yet to be finalised (and is subject to actuarial scrimmaging). The Government has made it clear that pensions in payment, including crystallised pension pots, will not be featured on the dashboard. But defined benefit pensions, including the state pension, will be shown on a personalised basis, if they're yet to come into payment.

There is a little uncertainty about how defined some pensions are likely to be (not least the state pension which lost the triple lock last year and faces an uncertain future in the light of varying estimates of inflation). A number of public sector pensions are subject to the remedy of the McCloud judgement and projected pensions are of course subject to annual revaluation - which depends on many imponderables. We can be fairly sure however that the defined benefit will be rather less problematic than any pension projection from a pension pot!

But back to the consumer duty. If the point of the pension dashboard (to Government at least) is to project forward pension entitlement future pension income, what does this say about best practice elsewhere?

And what does it say to the management of pension expectations?

People's current expectation is that they must trace their own pension pots, compare pensions using widely different projection systems and manage cash flows using incomplete information - usually with little help but an interview with Pension Wise. That is likely to change with dashboards vying with each other to best manage the "user journey".

Here the metrics of success may be measure in time spent getting information; "time spent" measured in "seconds" , rather than days. Organisations who cannot properly match the consumer's data will show they "may have your data". Such organisations may include the DWP since the national insurance number will be a voluntary rather than mandatory field. Steve Webb has pointed out that without a "Nino" the DWP will be unable to perform its duty to the consumer and display state pension rights.

The DWP, MaPS and the Pension Dashboard Program have been keen to emphasise that dashboards will not have their own databases. They will be able to display data but not hold data. This distinction means that dashboards will be "introducers", to use the language of the FCA handbook.

While dashboards may not be able to store personal data and act as a digital data store, they will be able to signpost third party services.

This is how they will make their money, as introducers rather than advisers or wealth managers. Digital introductions will be valued by the quality of the services hosted by the dashboard, and this is likely to focus on value and cost assessments for pension pots.

The metric for success will be footfall on the dashboard and the capacity to make introductions that satisfy the consumer. The original and founding dashboard, offered by MaPS is promised to be "non-commercial". It remains to be seen whether customers stick with the state sponsored site (nationalrail.co.uk) or adopt a more racy but commercial site (train line).

We will have to wait and see which model works best for the public but I suspect that what comes out of the dashboard will heavily influence the way we think of the Consumer Duty

Diversity and Inclusion

By Derek Davies

The FCA has focused on *Diversity and Inclusion* (D&I), as one of its main goals to change the mix of those working within the financial services industry, especially in senior and board roles. However, it had originally said little about those working directly with clients, or on the role of T&C in all of this.

Discussion Paper DP21/2, which involved the FCA, the PRA and the Bank of England, did note that the products offered to customers still do not always meet the needs of disadvantaged groups. Apart from this, much of the focus was again on those at senior and executive levels, so has the FCAs focus on Customer Duty supplied any more of a momentum for D&I at the coal face? If so, how can T&C supervisors, managers and directors change the way that they work to accommodate this?

The *Chartered institute of Personnel and Development* (CIPD) has also focused on D&I in the workplace and perhaps some of their work may hold the key to a more practical approach for the wider T&C team. In their factsheet dated 24th August 2022, titled *Inclusion and diversity in the workplace*, confirms overcoming prejudice and changing entrenched attitudes can be difficult.

Prejudices and Biases

The factsheet recognises that apart from legally defined discriminations covering gender, age, disability and race, there are other forms of discrimination arising from an individual's experiences through life, and the influences to which they have been exposed. These prejudices and biases, which may be unconscious, have a definite effect on people's views and interactions with clients, colleagues, and management.

Such prejudices and biases often have potentially negative effects, with examples of jokes, bullying or discrimination being based on an individual's height, their weight, or their accent, during education and employment. Even an individual's choice of clothing, hairstyle or reading material can create a source of judgement by others, who do not have the whole picture of that person, to understand the context.

Prejudice and biases towards accents have been recognised as a source of division in the UK for centuries. The writer George Bernard Shaw noted over a century ago that "*It is impossible for an Englishman to open his mouth without making some other Englishman hate or despise him*" in his preface to his play Pygmalion.

This still remains true to some degree today and despite the increasing exposure of regional accents on various forms of media, there is still an in-built prejudice or bias towards and against certain accents. It is those from the West Midlands, Liverpool, or the east end of London with noticeable accents that are among those who have been subject to negative prejudice or bias based on studies, even in recent times.

What this shows is that some D&I problems cover a wide area and are not something that can simply be solved by focusing on a more diverse senior management and board. Indeed, those individuals will also have their own prejudices and biases that they bring to the role.

However, the ultimate goal must be for organisations, and the wider labour market to be more inclusive and allow anyone, regardless of where they come from and their circumstance, to thrive and have equal access to jobs that positively benefit them, the business, and its clients.

T&C Involvement

So, in the light of all of this, sometimes conflicting, information how can the T&C department and those with supervisory responsibilities especially, help to ensure that a firm does become an inclusive organisation? That it provides as level a playing field as possible for its

What this shows is that some D&I problems cover a wide area and are not something that can simply be solved by focusing on a more diverse senior management and board

advisers, its clients, its staff, and its management?
Well let's consider the range of supervisory activities that are undertaken by a T&C team. There are of course file reviews and reviews of advice and other communications that go out to clients. However, many of these are undertaken in larger organisations by dedicated teams, or in medium sized and smaller firms they may be outsourced to specialist compliance firms. Also, there is often little within such written material that would show potential problems with D&I, or with prejudice or bias.

Areas of more useful interaction are Client Meeting Observations and One to One Meetings with advisers. These allow the assessment and discussion of any particular D&I problems that might have occurred, or where an adviser appears to be displaying particular prejudices or biases. But there are difficulties here because it's not just the fact that an adviser may say something inappropriate. It may be a case of how they deal with the fact that a client says something outside of the accepted norm, displaying their own biases during a meeting. Experienced advisers may have come across situations like that before and may have developed answers, but what about new advisers that are going though their pre-authorisation training, how will they cope?

Another possible issue is a meeting with a couple where an adviser spends most of the time talking to one of them and less time talking to the other. Without understanding the context, it is difficult for a supervisor to know if this is because of a potential prejudice on the part of the adviser, or whether the clients have different degrees of need for detail to be provided. This is where the post-observation feedback meeting is key to such interaction, as it allows a T&C supervisor to highlight points and issues from the meeting with an adviser, before considering any training needs.

Indeed, the initial and ongoing training regime is key to this, with specific D&I training needed, including providing an understanding of prejudices and biases, so that advisers appreciate the potential pitfalls. This can then be supplemented both during the initial and ongoing supervision phases, by additional and refresher training, either by the T&C supervisor, or through a specific course or online module. While this will inevitably help to a degree and provide a focus, research has shown emotions and attitudes are the hardest to influence with any training.

Also, the extent to which T&C supervisors can effectively get involved on this basis will be subject to the scope of the T&C Scheme. It will also depend upon the depth and quality of the forms and documents associated with the scheme, and whether these include touchpoints for assessing issues associated with D&I, prejudice, or bias. In view of the advent of the new Customer Duty requirements, a number of T&C forms and processes will need to be revised. This should therefore provide an ideal opportunity for a wider review of the T&C Scheme, and its documentation.

Finally, let's consider another area where T&C can have an input, but where others will add more detail. In the annual appraisals for staff, T&C can highlight any potential concerns to line managers, and these managers will add this input to a wider range of data. Providing that the scope of the annual appraisal includes a focus on D&I, an employee's wider adherence to the organisation's requirements will then form part of the overall assessment of progress.

What Next?

All of this reflects the fact that D&I is something in which everyone in a business should be involved and should all be striving to create an inclusive organisation that helps both its staff and its clients. This must be integrated and embedded into the fabric and attitudes of the organisation, despite any potential objections from those who see it as a waste of resources or effort. To quote George Bernard Shaw again "*People who say it cannot be done should not interrupt those who are doing it.*"

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