For People Development and People Regulation Personnel within Financial Services

T-C NEWS

COMPETENCE •EXPERTISE • PROFESSIONALISM

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Consumer Duty – the buck stops with you not just your processes……

Julie Pardy - Director Regulation, Worksmart Limited

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T-CNEWS

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How to contact us

Phone 01361 315 003
Or
Email office@t-cnews.com

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T-CNews is owned by
2be Development Consultancy Limited
12a Gourlay's Wynd, Duns, TD11 3AZ
Telephone 01361 315 003
Email editor@t-cnews.com
Web site www.t-cnews.com

Welcome to the January edition of T-CNews and Happy New Year! The key topic of focus for this edition remains the new Consumer Duty. By now firms are expected to have their Implementation plans in place working towards the July 2023 deadline. 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

Time for change

By Andy Snook from Performance Evaluations

Training and Competence schemes should be regularly reviewed, and no time is better than just before a new trading year for the firm starts. It is a good time to reflect and discuss what went well, what was OK, and what could have been done better. Because you want to decide what the focus will be on in the new T&C Scheme.

Traditionally I conduct this review in late November so the next scheme can be set up ready for launch in January. My current scheme's focus is of "People, Processes, and Accountability" with Key Performance Indicators for all scheme members aligned to these three themes and on reflection there have been some mixed results across all three.

Let us start with what did not go so well. The requirements of the business mid-year meant a particularly busy period with a need to suspend some of the Key Performance Indicators for three months. For some scheme members this may have helped them deliver on their increased workloads, but the trade-off was a reduction in learning and development which, whilst it may have been necessary, meant that some members needed to play catch up afterwards. The supervisors suspended their work output checks for the same period which for them made it harder when they restarted to get back into the swing of things. The Scheme's MI also took a hit through gaps in the MI making trend analysis impossible for some Key Performance Indicators and made for a very disjointed quarterly board report. It is fair to say that should this happen again I would contest such a request more strongly based on the evidence of what happened this year!

Just as an example my Scheme requires all Pension Transfer Specialist qualified individuals to undertake four hours Continuous Personal Development a month, much of it sourced and arranged by myself under our Training and Development programme, so on average that is one hour a week. For my money it is a poor show if you cannot factor an hour's Continuous Personal Development, even if you watch something like a recorded event in two parts, somewhere into your week.

Thankfully, I have three new weapons in my armoury to help drive changes to the Scheme next year.

The first is that over the last six months we have conducted a past business review which, whilst the outcomes were significantly positive, has highlighted areas where we could do much better. The second is Consumer Duty which means that our delivery to our clients needs to be as good as we can get it. Finally, my third weapon and one that nicely ties-in the first two is the recent appointment of a highly experienced Compliance Monitoring Officer whose primary function is to take over all the monthly post sale new business and annual servicing file checks from me, and to take over all the pre-sale approvals from the other supervisors.

This is a significant step forward and by realigning some of the Key Performance Indicators means that we can now drive change by using learning and development points from the outputs. We will also be making changes to the delivery of the outputs since the Compliance Monitoring Officer will deliver the outputs directly and deal with any queries and action points. This is another very positive change since currently the outputs are sent to the supervisors for them to pick up, discuss, and action. They will still get the outputs, but on an information only basis, so they will have more time to concentrate on other areas of monitoring and development.

There will be changes made to the Key Performance Indicators for all members of the scheme in line with Consumer Duty. The number of work output checks currently conducted by the supervisors will be either increased or amended, so at least one work output check is made on a direct customer contact element of the role. For advisers that means pre and post file checks. For Para-Planners that means Suitability Report sense checks. For the Administration Support team that means a check on a letter or email or something that would go direct to a client. Yes, we do include our administrators in the Scheme because they are part of the team and need monitoring, developing, and supporting the same as everybody else.

Other changes will focus on what I have not been able to do so well this year. We have always done some form of knowledge testing but this year we decided to replace the generic ten question, answer seven correctly to pass, often in the shortest time type tests which added little or no value with case-studies. We have not managed to achieve this so that will be at the top of my list for next year. I also want to work more with the development of our Administration Support team which has a number of enthusiastic individuals who we could over time grow into future advisers. Whilst not required to do Continuous Personal Development we do invite them to events that I arrange, and they also do some training events themselves.

What wouldn't I change? Three things that worked well this year. This would include the new tools we brought in at the start of the year to hold our Scheme records which have worked well and now just need evolving to work even better. The development of our supervisors by empowering them to engage more than ever with their teams which has also been a success again, just needs evolving. And finally, one learn gained from the pandemic period, that there is no need to do accompanied meeting assessments any longer. All our Advisers conduct on-line meetings so these can be joined live or recorded. Given that next year these assessments will be focussed on specific meeting components (again with a link to Consumer Duty) the number of assessed meetings per adviser will be doubled to achieve this.

Change, albeit something that some people struggle with, can be a very positive tool. Do it. Assess it. Change it. Benefit from it.

Nostradamus: *requirement* or *desire* to change?

By Adrian Harvey from Elephants Don't Forget

They carry different levels of urgency.
I was asked to look at 2023 through a 'change lens' and try and predict what might be different at this point in time in 2024. I'm not sure Jeff meant how many more governmental screw-ups or prime ministers we would have had, rather – more specifically – what's our take on employee Training & Competency (T&C)?
I will do my absolute best not to fall into the trap that many sector suppliers fall into when asked similar questions. I.e., predicting the sky will fall in if 'such' and 'such' a product isn't immediately purchased! So, predicting anything that is prefixed with: "all", "most" and "the majority" is over-egging the pudding, unless of course it is in relation to the sector not actually changing anything!
In fact, that is my first prediction. Whilst the regulator might be expecting to see wholesale change in the way firms deal with employee competency and evidencing of the same, I am completely certain that – all things being equal – they will not see it. On the whole, regulatory-driven change is slow, and most firms will continue as they do now; ticking a box and – frankly – waiting to be specifically told by the regulator that this strategy isn't good enough.
Take, for example, the "hype" that surrounded SM&CR. This regulation was trumpeted as game changing. The protection of corporate anonymity was being stripped away, organisations were required to map and file which senior individual was responsible for what activity so that individual senior managers could be identified and held to account for failings of their firms. Whilst I believe that the vast majority of firms set out to abide by the letter and spirit of the legislation, it would be a unique sector if this were true of all firms!
But, since SM&CR came into force in 2016, I believe there has only been one successful enforcement action by the FCA![1] One could perhaps be forgiven for thinking that once firms filed their responsibility maps, the regulator ticked a box, and it was BAU!
It might be why we repeatedly hear – from webinars we run attended by (over the past year) more than 1,000 compliance professionals from the sector – that few firms are concerned with falling short of the spirit of Consumer Duty. Almost every firm is (rightly) fixated on ensuring their filings are completed before the filing deadlines.[2]
This is because it is super-easy for the regulator to police if a submission was received or not before the published deadline (the quality of that submission is – I suspect – a different matter).
In fact, recently we hear comments that Consumer Duty is "TCF 2.0" and, as such, "firms have it covered". We are already seeing some IFA's in particular publicly stating (and I paraphrase) that Consumer Duty doesn't affect

them, as they are already doing it and have been doing it for years. Fingers crossed the regulator sees it the same way.

So, as it stands – and all things being equal – I am not expecting a wholesale shift in the way firms train and support employees driven by regulation. This isn't to say that during 2023 more firms won't examine the suitability of their T&C regime, but also balance the desire for change with the need for operational productivity and efficiency at a time of global recession.

Indeed, some firms will conclude that there is economic value to be had in switching to a more authentic approach to employee T&C and one that underpins a culture of compliance, rather than compliance completion. In 2022, we were already seeing one firm per week shift away from the traditional one-size-fits-all, annual refresher training model towards an AI-powered, continual assessment, personalised, in the flow of work, support methodology. But let's face it, 50 out of 60,000 is hardly a tsunami of change!

So, will regulation – like Consumer Duty – drive wholesale changes to employee T&C in 2023? No, I don't think so, because principle-based regulation historically isn't a catalyst for fast change (and of course in the case of the IFA community, some apparently already have it covered!). Slow pace of change driven by regulation, only being true of course where the regulator is unable to police and enforce at scale! And to date, the FCA has shown it is completely incapable of doing so.

What I do predict is that the regulator is likely to improve its ability to police and enforce at scale using increasingly sophisticated technology – like Artificial Intelligence. The extent of that success is up for debate, and I am going to low-ball it, but I am predicting it will occur.

If the regulator succeeds beyond my expectations in 2023 using AI-powered screen scraping technology of consumer sentiment towards individual suppliers and their treatment of customers, then this could well be a catalyst for the faster change desired by the regulator. In a world where the regulator is coming to you with evidence of regulatory failing, rather than asking firms to mark their own homework, which is effectively the situation today, then *desire* for change is trumped by the *requirement* for change and pace is intensified.

So, in a nutshell, 2023 will only see more rapid regulatory-driven change to approaching employee T&C if the regulator improves its ability to police and enforce that regulation. It will do so in 2023, but by how much, I don't know. Perhaps a few high-profile, "public hangings" might add additional momentum.

But regulatory-driven change is arguably a negative force for change, hence the general apathy and slow pace in the market. My "big" prediction – (caveat: paragraph two) – is the role of L&D in talent development. The ready-made talent the sector needs is – for whatever group of reasons – not available at the scale the sector (and others for that matter) needs. The UK government's suggestion, that people who generally presented as not typically academic whilst in full-time education will self-educate themselves at home, is complete nonsense (caveat: paragraph one).

The "void" will be filled by employers, and I am already seeing more far-sighted firms invest in the establishment of in-house academies. In this situation, the endgame isn't a tick in a regulatory box for the lowest cost of delivery; the endgame is the essential upskilling of an individual to a standard that means they can "do the doing" in whatever role they are going to be employed in. This means a step back in time to when employers provided genuine, authentic skills development, improvement training and apprenticeships in the workplace.

> "How many firms today have an academy and have seriously invested in the in-house development of the talent they need to sustain and grow the business?

It would be an interesting datapoint to collect. How many firms today have an academy and have seriously invested in the in-house development of the talent they need to sustain and grow the business? And how many will there be 01/01/2024? I hear L&D functions and compliance and risk bemoan the lack of funding to do the things they *desire* to do. Not entirely surprising under the circumstances many would argue. But starve a business of the very oxygen it needs to grow and, suddenly, the cash constraints are off, solutions get funded and urgency increases.

It just so happens that this aligns really rather nicely with the regulator's vision of firms having a culture of compliance. In truth, this is only really going to happen at pace when the employer invests in making it so. Ticking a regulatory box during a global recession isn't much of a motivator, but essential employee development that otherwise hinders and restricts trading and growth, is.

So, my prediction is: regardless of how good the regulator gets at using AI to police and enforce at scale in 2023, regulation on its own is unlikely to be good enough to move the dial much more than it is moving now. Firms, however, will – of their own free will – invest to move the dial far faster, not because of Consumer Duty, SM&CR or improvement in the regulator's policing ability, but perhaps for the very reasons the City has existed for centuries; making money.

[1] **https://www.bovill.com/only-34-investigations-and-one-enforcement-action-after-four-and-a-half-years-of-smcr/**

[2] **https://www.fca.org.uk/firms/consumer-duty**

Consumer Duty – time for mortgage practitioners to focus on consumer outcomes

Nick Baxter
Baxters Business Consultants

> "Consumer Duty is not someone else's problem, it is not going away, and the deadlines are not going to change.

There has been a lot written about the FCA's, current, hot topic – Consumer Duty. Like many other financial adviser and compliance magazines, T-CNews devoted many pages to the subject in the last issue. I have worked with financial advisers and mortgage professionals for more decades than I care to recount. As such, I have seen, and worked to implement, more seismic change in the mortgage industry than anyone needs to experience in a career; a voluntary mortgage code, professional qualifications, CPD, statutory regulation and treating customers fairly to name just a few. I even sat on the advisory board that implemented the CML mortgage code of practice way back in 1998.

Looking back on what was the practitioner response to those historical changes. I know I will offend some industry participants, but let me remind you; "That's someone else's problem", "it doesn't apply to us", "we have got ages to do that", "the deadline is not achievable – it will be pushed back".

Frustratingly, decades later, these are the same procrastinating excuses I hear in respect of Consumer Duty.

While 'proportionality' requirements means that the current spotlight has been on manufacturers and that the FCA deadlines generally focus on "products", 'services' are equally important as it is not just product design and marketing where potential harm can originate. Poor service delivery and sale can equally create or contribute to consumer harm.

Parliament considered Consumer Duty and supported it due to falling public confidence in retail financial services. Anyone thinking that this is just the FCA tinkering at the edges, think again and re-read the FCA outputs (all of them). The FCA "Portfolio strategy letter for Financial Advisers and Intermediaries" [2 December 2022] clearly explained the impact of Consumer Duty on advisers. Frankly, it's time for mortgage practitioners to start thinking 'how do the Consumer Duty requirements effect the services I offer?' Consumer Duty is not someone else's problem, it is not going away, and the deadlines are not going to change.

It's time to act. The new statement of principle 12 nicely sums up the future; "Firms must act to deliver good outcomes for retail customers."

I know mortgage practitioners will automatically say "of course we provide good outcomes", but ask yourself – "do you", "can you prove you do"? Tough questions if they are properly considered.

Where should mortgage advisers start? If you have done nothing yet (probably applicable to many smaller firms), a good place to start is the requirement that consumers receive good advice, "which is suitable for their needs and objectives". Clearly this means that services and processes must be tailored for different customer categories. The same service and process for all customers simply does not work if Consumer Duty is fully embraced. To emphasise my point, let's think about mortgages.

There is such a diverse set of needs and customer vulnerabilities that can often be identified by the different product types. Just look at the range; first time buyers, low LTV loans, high income multiplier loans, sub-prime lending, shared ownership, bridging lending, buy to let, new build – I could go on.

Thinking about the vulnerabilities and needs of customers in these different product silos might be alien to many firms. Such firms, until now, may have adopted the view that simple processes on the basis that 'one size fits all' makes for efficient workflows. That won't 'cut it' in the future. If a cultural change is needed to bring about such change, so be it, that is what the FCA wants.

Let me also remind readers, 'If you can't prove you have done what you say you did, you didn't do it'.

Document these thought processes and any new procedures, focusing on how they ensure 'good outcomes for retail customers'.

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

Are we keeping up?

By Jane Pitt from RedTree Training

We've come a long way in the world of Financial Services in the last few decades. The days of 'selling' are long gone; we now advise on customer centric products, using customer focused processes. Gone is the 'Man from the Pru' and whilst we will all breathe a sigh of relief that some of his behaviours have gone with him, I do wonder if we in learning are keeping up with all the changes taking place around us? The advisers sweeping into the industry now are bringing with them a whole new suite of behaviours and expectations. Many are no longer coming to the role via historic proven routes which saw them join from the banking sector having previously been in customer facing roles. Instead, we are seeing a greater number who have achieved their Diploma by taking advantage of a reduced commuting time created by the Pandemic but who have never had any front-line customer experience. Whilst I would agree that we can teach many of the skills advisers need to be successful, many of these skills build on natural traits you either possess or you don't… and herein lies the first problem.

Skills are not learnt overnight; yes, you can learn the theory of a new skill in a few hours but to master it takes time and practise. Ideally, you need to have the time to dissect the skill and learn each element in turn, effecting each element individually before attempting to put them all together, and then taking the time to practise over and over again, receiving and implementing feedback, adjusting your approach – well, you get the idea. When the skill is something that the trainee has no awareness of either through experience, or it is not a natural trait, the timeline extends further. The trouble is, we no longer have the luxury of time.

This new generation of advisers expect to be an overnight success. Whereas historically, many of the Baby Boomers and Generation Xers typically will not want to switch companies any more frequently than every five years for fear of how that looks on their CV, whereas the new breed of advisers are not concerned. Many of them are quite happy to switch companies, and even careers, more frequently. Therefore, the Return on Investment (ROI) of our training programmes needs to be realised much sooner.

Couple these problems with the ever-growing call to develop a training methodology that complements the increasingly popular agile approach to delivering change, and we find ourselves facing a few issues that could rapidly escalate unless we find some solutions. As learning professionals, we have also transformed so much during the same period. I believe we now have a full range of media available to us to deliver learning to individuals that is 'just in time, just enough and just for them', but we need to make sure we keep up.

As I see it, the way to start to tackling these issues is to use a multi-pronged approach:

1. **Use your Training and Competence Scheme to retain your talent.** A good T&C Scheme sets out an individual's route to competence but it should also show career progression. I like to include a mentor role wherever I can as it is a great way for individuals to take their first steps into supervision without all the responsibilities of being a line manager but I also like to include a 'growing' stage in the Scheme's Framework. This allows an individual to retain competence in one role whilst developing a new set of skills for a different role within a defined period of time and to a defined standard. Importantly, individuals report that they feel the defined pathway is a clear demonstration of the company's commitment to their internal progression.
2. **Focus on developing a toolbox instead of a programme.** I recently read a scathing attack on how learning functions typically approach developing materials to support agile change programmes by a leading consultancy company. Although, I could appreciate (some of) their sentiment, they offered no solutions to the problem, so let me. As a function, I think we need to start thinking in terms of toolboxes. In a tradesman toolbox, there are individual tools that, when in skilled hands, all work together to fix a problem. For some tasks they use one tool, but for others, they will use multiple. A tradesman will also have not one screwdriver but a whole range. We could do the same; develop and release training on for example the standard flat head screwdriver, followed by the Phillips head, followed by the Posi head. The theory of how to use a screwdriver remains the same whatever type you use, and once learnt, doesn't need to be repeated, therefore the subsequent training only needs to focus on the application of that specific screwdriver head. If we can break our learning down into individual 'tools' then the ROI could be realised much sooner.
3. **Define the adviser of the future.** I agree that, with the shift in the industry's culture, some natural traits we have looked for in advisers in the past are no longer appropriate but have we taken the time to define what we want the adviser of the future to look like? Some of the strawmen I have seen include updated behaviours but how do we define a 'successful' adviser now that we no longer use the achievement of sales targets as a key measure? Do we want them to be proficient communicators or does the advent of technology mean that that is no longer required? Do they need to elude confidence and charisma as in days gone by or is curiosity sufficient now? Do they need to be competitive and enjoy closing the deal? Is empathy and the ability to connect now a higher preference? Without this being clearly defined, it is hard to know if we are recruiting the right individuals or designing training that meets the need.

In the same way that we learned that training isn't always the answer, I think we now need to work with the wider business to ensure learning does not get left out in the cold.

AI can bring us closer together and help, not inhibit humans

By Dr Lexi Birch Co-Founder of Aveni

Opportunities and Challenges with AI and NLP

AI is already changing our lives. From expert systems which predict the weather and the stock market, to facial recognition and internet search results, its application is growing more and more extensive all the time. Some uses of AI are relatively low risk, such as suggesting the next song to play on our Spotify playlist. Others are potentially life changing like predicting cancer from a scan, or if you are a possible terrorist. Some uses of AI seem low risk but have huge societal consequences, such as curating posts in a Facebook feed. Optimising these models for maximum engagement has unintentionally led to incendiary posts being prioritised, and the massive proliferation of conspiracy theories.

There has been a lot of publicity about the problems associated with trusting AI, and there is an active community of researchers and engineers who are working towards making AI more beneficial to humans. Briefly, the problems with AI come from creators of AI datasets and systems where ethical implications are not considered, and/or unintended biases in data and models are not mitigated. Arguably we should not be using AI at all for some purposes, e.g. to predict attractiveness from a portrait photo, but what is actually more of a problem is that models are trained on data, and they absorb biases from that data. This can lead to outcomes which are unfair, for example studies show that speech recognition systems work far worse on women’s voices.

Human+

There is not one single solution to fixing AI, but one of the most important aspects of making AI safe and beneficial to humans is not to treat it as an isolated ‘black box’ expert. Instead, if we put humans in the centre of a system which leverages AI when appropriate and under human supervision, we could harness the best aspects of both human and artificial intelligence.

At Aveni we call this human-centred AI: Human+. We design and investigate new forms of human-AI experiences and interactions that enhance and expand human capabilities for the good of our products, clients, and society at large. Ultimately AI’s long-term success depends upon our acknowledgement that people are critical in its design, operation, and use. We take an interdisciplinary approach that involves specialists in Natural Language Processing, human-computer interaction, computer-supported cooperative work, data visualisation, and design in the context of AI.

Adhering to the core value that Human+ is better than either human or AI in isolation, we develop novel user experiences and visualisations that foster human-AI collaboration. This helps fulfil artificial intelligence’s destiny: to be a natural extension of human intelligence, helping humans and organisations make wiser decisions.

Human+ is a partnership in which people will take the role of specification, goal setting, high-level creativity, curation, and oversight. In this partnership, the AI augments human abilities through being able to absorb large amounts of low-level details, synthesise across many features and data points and do this quickly.

Our models are explainable to human operators, and we incorporate human feedback in the continual development of our models.

NLP can really put the customer first

Currently, many financial services firms use large human teams listening to calls and writing a combination of objective and subjective assessments to track quality. This requires serious consideration in relation to Consumer Duty and will increase budgets significantly, but also creates a very interesting application of NLP-based technologies. It is no longer simply good practice to assess vulnerability and risk and demonstrate how they are being mitigated; the technology can genuinely provide the key to complying with regulatory requirements.

Responsible and human-compatible AI needs to explain how certain models come to their decisions, and inform the users of their strengths and weaknesses. These models are combined with human-computer interfaces which are capable of translating model outputs into understandable and useful explanations for the end user.

NLP and machine learning capabilities allow for automatic monitoring and analysis of customer interactions such as speech from phone calls, video conferencing and in-person meetings as well as other digital interactions. It then converts speech to text to derive context and understanding from the conversation enabling organisations to automate specific processes.

Incorporating explainable AI into the design and implementation of all models links directly to the evidence used for decision-making. This allows humans to navigate quickly to the place in the call where the model triggered.

Aside from clear efficiency and productivity benefits, this lets organisations put data-driven technologies, and the voice of the customer at the heart of their operations.

Being able to extract the right information from every interaction, through human analysis and NLP-based results can bring the improvements needed to meet Consumer Duty requirements. Companies can use that to drive improvements in multiple areas such as customer experience, products and services, training and coaching, sales, and quality assurance, as well as transform their risk assurance at a time when the FCA is really tightening up its regulatory supervision of the industry.

Human-in-the-Loop

Human-in-the-loop is a branch of AI that brings together AI and human intelligence to create machine learning (ML) models. It's when humans are involved with setting up the systems, tuning and testing the model so the decision-making improves, and then actioning the decisions it suggests. The tuning and testing stage is what makes AI systems smarter, more robust and more accurate through use.

With human-in-the-loop machine learning, businesses can enhance and expand their capabilities with trustworthy AI systems whilst humans set and control the level of automation. Simpler, less critical tasks can be fully automated, and more complex decisions can operate under close human supervision.

One of the key problems is that machine learning can take time to achieve a certain level of accuracy. It needs to process lots of training data to learn over time how to make decisions, potentially delaying businesses that are adopting it for the first time.

Human-in-the-loop machine learning gives AI software the chance to shortcut the machine learning process. With human supervision, the ML can learn from human intelligence and deliver more accurate results despite a lack of data. That means having human-in-the-loop ML ensures your AI system learns and improves its results faster and any biases or blind-spots can be detected quickly and remedied.

What the future holds

The potential to use AI and NLP to really benefit people or customers is significant, to give them access to more affordable and more reliable support and advice. These sophisticated tools come with some drawbacks which can be mitigated by taking a Human+ approach to system design, which includes making automation explainable, and incorporating user feedback.

As these transformative technologies become increasingly adopted across the financial services industry, affecting a myriad of critical functions, we need to have a clearer understanding of the challenges and benefits that AI brings. A human centric adoption of AI mitigates its worst drawbacks, and makes it more likely to have a beneficial impact. There is no competition between human and AI intelligence; both are needed. In fact, using AI to support humans to achieve higher levels of creativity, intuition, and insight is very exciting.

About the Author

Dr Lexi Birch is co-founder of Scottish Regtech business Aveni – the AI-powered Natural Language Processing platform making big waves in the finance and regulation markets. Lexi is an internationally recognised expert in Natural Language Processing, and a Senior Research Fellow at the University of Edinburgh.

She is working with the team at Aveni to drive necessary revolution in risk assessment and vulnerability recognition to address data-first demands of new compliance – particularly in relation to the new Consumer Duty requirements from the FCA. Innovation in thinking, technological advances and regulatory compliance requirements are changing the way the financial services sector operates and the reality of AI and NLP advances are being recognised and must be embraced.

Why an investment in T&C this year might be the key to the challenges

Tom Wood,
Searchlight Insurance Training, part of The UKGI Group

> However, the keystone to this resilience is the skills and knowledge of the people that work within the industry

2023 is already looking like it's going to be a tough year for the general insurance industry. Giving your people the skills to grow could be your best chance of leading your business through and stealing a march on your competitors. The likelihood is that if you are reading this article, that you understand the importance of learning and development, so please share it within your business to help others.
What the challenges of the last few years has taught us is that we have an amazing ability to build resilience in the face of adversity. If we quickly reflect on these challenges, they included (but were not limited to):

- The global shock of dealing with the COVID pandemic and lockdowns, including all the knock-on impacts within the whole insurance industry.
- Unprecedented consolidation in the insurance broking sector, which has seen the number of firms shrink rapidly, and a very large shift in human capital alignment as a result.
- A more intrusive and digitally capable regulator that has an even greater focus on the reduction of customer harm in the financial services markets.
- A rapidly changing consumer market - which has never been as vulnerable - that requires a more modern approach to risk management and claims support.

The industry has shown that it is robust, and central to this has been a solid financial services regulatory framework. However, the keystone to this resilience is the skills and knowledge of the people that work within the industry, right across the distribution chain, and this strength has been built over the last 120 years in the UK.

How L&D can support you in 2023 and beyond.
We now find ourselves in the middle of a talent management and recruitment crunch right across the insurance industry. It is going to continue, and possibly accelerate, yet it is also unlikely to get all the headlines during the cost-of-living crisis.
That is why firms that put in place a learning & development and people management strategy as a top priority at the start of the year will continue to build strength and develop more sustainable growth opportunities. It's why the larger firms invest so heavily in talent management, and why they can attract or tempt your own employees to join them.
Here are our top 5 tips for turbo-charging learning and development in your organisation this year:

1. Make learning & development accessible to all staff
Providing personal and professional development opportunities shows your people that you care. It is a fundamental part of motivation in the workplace. Learning new skills aids career development and with this a sense of pride in the work we do. If your staff are motivated, enjoy the work that they do, and can see personal growth opportunities within your organisation, then they are less likely to look elsewhere for employment. Remember, it is more cost effective to retain and train existing staff than it is to replace and recruit new employees.

2, Set an annual training budget
The FCA expects firms to evidence adequate systems and controls, including the ability to adhere to your T&C requirements. This means that you need to have the funds available to ensure that staff remain competent to fulfil their roles. If you cannot do this, then one could question how you satisfy Threshold Condition 4, and it could be argued that a lack of a training budget

should be added as a visible red item on your risk register to highlight that your firm has to find the funds for necessary training as and when you need it.

How much should you set in the budget? That is for you to decide but do consider making it transparent to your employees. When sat alongside a salary and benefits package, it can be quite attractive and help with staff retention and acquisition.

Remember, training should be an investment for you; the new skills an employee can learn, the greater the impact they will have on your business.

3. Start by looking at the job role

The FCA expects your staff to be competent to do the job they set out to do. This starts with their job description. Sit down with your staff and review this document now. Is it still up to date? Does it need changing? What skills are needed to perform the role and has a gap analysis on these skills be completed? How do you know if they are competent and what training is needed? This is not a long or difficult exercise, but it so often gets overlooked.

It's important that you work with your employees to conduct regular performance development reviews that not only look backwards at previous performance, but also forwards to where you want them to be, as well as where they themselves want to be. Think about your own succession plans, and where your future leaders are going to come from. they will need training and coaching in areas that are probably not yet in their job descriptions.

Work closely with your HR and people management teams if you have them.

4. Focus on professional AND personal development

Don't make T&C a tick-box exercise. Whilst the concept of regulated CPD is driving up professional standards and consumer confidence in the insurance industry, it also risks devaluing T&C as firms rush to record their CPD hours each year.

We speak to many firms and learners who are desperate to get back into the classroom in 2023, where training comes back to life and begins to make a real impact on their development. Give your staff the opportunities to do this.

As we head back to face-to-face training, consider which of the basic core skills might need to be revisited away from the usual tick box online assessment. We work in a dramatically different space and with a very different regulator, so it might be useful to bring these core areas of development back to life in an engaging and thought provoking manner.

Make sure that your people can learn not just technical skills, but also business skills, management and leadership skills (where appropriate) and soft skills. Let your staff know that you want them to develop a career with your organisation and work with them to identify a clear path to personal development. This will have a big impact on retention and develops a positive workforce culture.

5. Your customers will ultimately benefit and that's good for business

A more competent workforce will have the skills to support your customers, not just with their technical knowledge, but with how they handle and manage customer relationships. At the heart of professional standards is giving the right advice at the right time and ensuring that the opportunities for customer harm are reduced. Dealing with vulnerable customers, reducing claims repudiation, handling difficult conversations, generating new business, understanding emerging risks, supporting claims management, and building trust as well as developing the future leaders in the industry, are all positive outcomes of an effective training and competency scheme.

As you can see, focusing on L&D is not difficult, but it's important that you start now. Don't leave it too late. If you involve your staff in the planning process, then it will begin to build an attachment and sense of ownership that will motivate and add value to what is likely to be a tough year ahead.

Do nothing and you will probably find your workforce begin to look at what else might be out there for them, which is something the industry cannot afford.

What is a good outcome?

By Tony Catt from TC Compliance Services

> "Previously, I have always advised my client firms to make things so simple that even a compliance consultant can understand

So, we all have our Consumer Duty Implementation plans in place. Of course, we do. If not, you can always contact me. You have until June 2023 to be in a position to be compliant with the new Consumer Duty. How difficult can it be?

For most firms, this will involve a revision of documentation that they would have done anyway. And their processes to give them an advice structure that they are already following. This is simply to shift the focus to a customer-centric priority. A culture that is likely to already be embedded for most advisers.

Hold on! That leaves nothing for compliance consultants to do! How are we able to give value to firms to justify our existence?

Actually, the Consumer Duty will involve a leap in faith as advisers need to make their documentation understandable to clients. Previously, I have always advised my client firms to make things so simple that even a compliance consultant can understand. This is a step further than that as it involves all clients regardless of their ability to understand.

This is where the consideration of vulnerable clients comes to the fore. The definition of vulnerability is quite wide and is not just about how to deal with older clients. Such impediments to understanding as inexperience (first -time buyers or investors), language (is English the correct language for the client), circumstances (unemployment, bereavement) and health (illness and infirmity). This article is not covering the list in any depth. This whole consideration is to bring the understanding of those people starting with any possible/ potential disadvantage up to the level of knowledge that will enable them to make an informed decision about a course of action that may enable them to achieve their objectives and maximise the potential of a good outcome.

The leap of faith will be the willingness of advisers to make their suitability letters readable and meaningful to clients. There are not many clients who will read more than the first couple of pages of a letter. This is why the FCA would encourage advisers to use executive summaries at the front of the letter. The rest of the background can be there as comfort to the advisers that they have done a complete job. Suitability letters running to much more than 10 pages are simply not Treating Customers Fairly. And those up in the 30s, 40s and even over 100 pages are simply ridiculous. Although they may be useful as door stops or balancing a wobbly table.

Financial services is strange in that the detail of how products work is provided at every touch point. This is the only industry that does that. We do not get explanations of how the combustion engine works when we buy cars or the process of how clothes are put together. Or even how Corn Flakes are made.

But what is a good outcome that the FCA is so keen to achieve like some North Star or Nirvana objective?

There is no standard empirical measure for this.

- The best formula that I can come up with would be that the client achieves the objectives that they have specified in the timescale that is most effective for them.
- Possibly adding in that their expectations have been managed throughout the time by regular reviews undertaken with an expert. The reviews considering the changing circumstances of the client and making adjustments to the plans to maximise the potential of the client achieving their objectives.

It is this constant review of the plans that is more important than the original advice. The plans need to be flexible enough to make changes at various stages of the plan.

Simplistically, most clients would want to be able to retire at a reasonable time, previously age 60 or 65, with their mortgage repaid and sufficient income to enable them to have an interesting lifestyle.

That plan starts from a fairly young age running through to retirement say a 40-year term. But in the meantime, many people will:

Change jobs

- Get promoted
- Get made redundant
- Take career breaks

Get a partner

- Get married (or mot)
- Have children
- Get divorced (or split up)
- Re-marry

Buy a property

- Move properties
- Undertake property improvement

Savings and investments

- Contribute to pensions
- Build savings
- Make investments

General expenditure

- Household bills
- Insurances
- Purchase goods
- Pay for holidays
- Clothing
- Entertainment.

This list of variables is not exhaustive. The only thing that is guaranteed throughout the term of any life plan is that circumstances will change regularly. So, the likelihood of any plan that was made at the outset is unlikely to be able to satisfy objectives for the term. So, we break things down into bite-sized chunks of short-term and long-term objectives.

As there is no empirical formula for a "good outcome" for clients, as we are all different, what can advisers reasonably do to maximise the potential to achieve the client objectives and by good practice and culture be compliant with the Consumer Duty,

The process may look something like this.

- Clear paperwork understandable to the client.
- Detailed fact find to ascertain circumstances and prioritise objectives and timescales. This also needs to address:
  - ◊ Identification of any vulnerability and how to address this.
  - ◊ Assessment of attitude to risk – not just investment, but life risks – protection and mortgages
  - ◊ Assessment of clients' attitude towards sustainability
- An understandable solution to achieve objectives – to include:
  - ◊ Benefits of achieving objectives
  - ◊ Possible alternatives to achieve objectives
  - ◊ Possible risks involved
  - ◊ Possibility of not achieving objectives and consequences
- Regular reviews
  - ◊ Update of circumstances
  - ◊ How any changes may affect achievement of objectives
  - ◊ Assessment of whether plans are on target with consideration of whether to make any changes
  - ◊ Have priorities changed? Short-term? Long-term?

This process looks familiar to us all. Perhaps the tweaks about being more aware of vulnerability and sustainability are a little different.

The main issue is that advisers need to look at their paperwork more closely. Is it really understandable to the clients? Is the suitability letter understandable? Is all the information included really helping the client with their informed decision?

We simply need to be more client centric in all our dealings. Always think, would all my family members understand this document? Have I explained why this product will enable the client to fulfil their objectives? Do they look like they have understood well enough to explain it to somebody else?

Client outcome is an ideally vague target for the regulator that wants to be seen to be doing the right thing without any measurements of success or failure. Presumably complaint data may be the continuing measurement of customer satisfaction and consideration of poor outcomes. A shame really as Consumer Duty is a base level of behaviour that advisers should have been embracing for many years.

Consumer Duty – the buck stops with you not just your processes……

Julie Pardy - Director Regulation, Worksmart Limited

> "Some may say that the industry has (potentially unwittingly) used this complexity to its advantage in the past, but this is exactly what the FCA want to see an end to.

In my last article (October's edition), I talked about the value of firms revisiting and updating their existing people related regulatory processes, e.g. SM&CR and Training & Competence, to enable them to evidence that they are complying with Consumer Duty (CD). In my view it still makes sense that firms focus on these things. However, in this article I want to look at CD from another perspective, namely that of the individual. The reason I'm keen to talk about this from an individual's perspective is because, to date, the focus has been on firms and their policies, practices and processes, e.g. product design, product governance, sales processes, distribution strategies, etc. Once live, however, responsibility will come down to individuals, most specifically the senior managers, certified individuals and particularly the NED who has been identified as being the 'CD Champion'. Through observing many regulatory change programmes over the years, it's noticeable how much time and resource within projects are focused on the product/process changes, with less time spent on the impact to individuals and the way in which they deliver against the requirements of their roles. However, in a post SM&CR world, individuals will need to consider CD very carefully from a personal perspective. Why? Well because those individuals noted above are subject to annual F & P assessments as a requirement to continue within their role, and on that basis, individuals need to ensure (demand even) that they have the right input, education and tools to ensure they can personally deliver against their CD requirements. In my view this represents a personal risk for key individuals, one that I suspect is not 'front of mind' for most individuals when preparing for the new rules to come into force.

So, whilst no doubt firms' re-engineering of their consumer centric processes (where necessary) will be welcome, so much of what the regulator is expecting comes back to being more focused on customer interactions, be it one to one, via websites or written communications. As an example, even if a firm's sales process is modified to provide information in a much more user-friendly way, in tune with what research tells us about the best way for consumers to consume complex information, it's the one-to-one contact between potential customer and employee in the advisory space that will deliver a major part of the experience expected by the FCA. And continuing the example of a firm's sales process, how much time, awareness and competence will employees have to understand the consumer's preferences and underlying beliefs and support them to make the decision that best balances the two?

For those who have been reading up on Behavioural Economics (BE) you will have noticed I have just slipped in two key BE terms, i.e. preferences and beliefs. This is

deliberate because the FCA sees the understanding of, and effective use of Behavioural Economics as one of the foundation stones to delivering the Consumer Principle, i.e. *"good outcomes for retail consumers"*. BE highlights the fact that financial products are difficult for many consumers to fully understand. Of course, simple products like travel insurance are relatively straightforward in that these policies are sufficiently transparent to enable consumers to assess the pros and cons of each product rationally and make decisions that are in their best interest. However, the same can't be said for more complex products such as mortgages, pensions and investments. So, when it comes to the more complex products, BE has identified that consumers default to more intuitive styles of analysis and decision making. They do this simply because the inherent complexity of the product combined with the way it is presented, sold and supported post sale, is just too difficult for many to assess logically. And where intuition comes into the picture, so do biases, shortcuts and the risk of consumers making poor decisions. Some may say
that the industry has (potentially unwittingly) used this complexity to its advantage in the past, but this is exactly what the FCA want to see an end to.

Talking with both our clients and the Trade Bodies that support the sectors, we know that many firms are trying to use the principles behind BE to reengineer their processes to limit the opportunity for consumers to rely on their in-built preferences and beliefs that might drive poor decision making. Common examples I hear are
things like building friction, e.g. delays, warnings etc., into the sales process and redesigning financial promotions to greater highlight the limitations and risks inherent in a product as much as the benefits and potential rewards.

That is all laudable, however, I come back to my earlier point that a major responsibility falls on individuals to help consumers steer away from the potential risks in their own decision making.

So how can individuals do this? Well firstly, greater opportunity needs to be built into key processes, for example, around the following areas:

1. **Product Review**: For product design teams to engage more directly with customers when analysing whether the product is being purchased as expected and whether it is performing as planned.
2. **Product Purchase**: For advisory teams to discuss in more detail with potential customers at different points in the sales process around their preferences, beliefs., their likely approach to decision making and the underlying reasoning around that
3. **Product Usage**: For post sales service teams to have structured processes to ensure that they are considering how customers are using the products/ processes post sale and whether they are using the products as intended and whether they still remain suitable and fit for purpose.

Secondly, individuals need to be given the training and support to help guide consumers to make decisions in their best interests. Individuals need basic BE awareness training then, critically, for them to make sense of this, have the practical implications of BE embedded into their **role-based** Conduct Rules training. (If ever there was a case for role-based Conduct Rules training – BE is it!) Role-based Conduct Rules training can provide real life examples and scenarios for individuals to work through that will test their understanding of BE and their ability to help customers to limit the potential self-harm caused by decisions made using their intuition and in-built biases that even they don't recognise exist. Additionally, firms' processes should be enhanced by including operational guides and checklists, e.g. key questions to ask, variations of FAQs etc, to help in this complex area. In summary, I see role-based Conduct Rules training as pivotal to helping firms deliver good consumer outcomes in those one-to-one interactions, backed up by the science that BE brings us.

Thirdly, in addition to role-based Conduct Rules training, supporting processes such as performance management, Training and Competence and Certification should be updated to include BE as a fundamental principle to delivering good outcomes.

Lastly, firms should not stop there, reward and recognition systems should be amended to include customer feedback, (if not already in place) e.g. results of the texts that many firms send out post interaction, i.e. 'how did XXX do today? If this type of instant feedback is hooked into appraisal processes and even made part of the reward / bonus process, then it would be interesting to see what potential changes in behaviour that it might drive within firms.

And on that point, why not build BE related employee behaviours into award schemes sponsored by the 'CD Champion'?

So, in summary, to deliver better consumer outcomes, firms need to embrace the changes needed at an employee level not just content themselves to reengineer systems and processes. And when considering the employee, focus on providing them with both the awareness of this complex area to help employees look out for and be sensitive to the distortions that behavioural science can make to consumers' decision-making processes. Once done, firms should adapt their supporting people processes to include BE and, importantly, make it part of firms' reward and recognition processes for staff.

If firms continue to focus on reengineering systems and processes alone, I fear they will 'come up short' against the FCA's expectations under CD. The FCA understand from their own research the distortion that can happen through the customer engagement processes when biases and shortcuts come into play from a consumer perspective. I appreciate that BE is difficult to grasp, but that should not be the reason for firms and individuals to shy away from this area. Taking the research and learning that the FCA have undertaken and published, should allow firms and individuals to develop their approach in this area. Challenging it will surely be, but for firms that embrace what BE tells us and weave it into people and process change, and subsequent management, will surely better implement what CD demands of us. I wonder how many firms are on 'the journey?'

ESG and sustainability in collections

Chris Leslie, Chief Executive, Credit Services Association

There was a time not so long ago when 'ESG' and sustainability was the talk of senior executives across the full range of UK industry. The pandemic – and subsequent supply chain woes, inflation and customer cost-of-living pressures - have knocked those topics off the top of the immediate agenda. Perhaps it is only natural that, as a recession potentially looms, the core economic bread-and-butter needs of the country overtake what some regard as non-urgent altruistic concerns about society and the environment.

Yet it would be foolish to believe that the three concerns of 'ESG' (environmental, social and governance) are in some way incidental to modern successful business. For a start, these are long-term policy concerns around which a political consensus has formed, pretty much regardless of which party is in office, and regulations will continue to change the behaviour and costs for firms across all markets.

For the non-banking financial sector, where output is in the form of added-value services, it can be hard to envisage the physical impact of day-to-day work on greenhouse gas emissions and biodiversity. Not only does office-based working have a relatively low ecological footprint, the rise of home-based work feels even less impactful, reducing commuting and conserving energy usage as technology makes service sector working more efficient than ever. However, it is in the portfolio of wider commercial activities facilitated by finance and credit where the greatest – albeit indirect – environmental impact occurs. Some estimates put the indirect impact of portfolio emissions as high as 700 times that of the financial service provider itself.

In the collections and debt purchase sector, which does not initiate the retail credit offer, the carbon impact is hard to calculate, but were it not for the amenity of collections and balance sheet improvement delivered by the collections process as part of a functioning credit cycle, new commercial and entrepreneurial activity would be stifled, as credit would be higher cost and less freely available. So the collections sector does have an impact on economic activity and must therefore reflect on its contribution to sustainability in a world of finite resources.

The good news is that the collections and debt purchase sector already operate in a highly regulated and accountable environment where competitive pressures from clients and creditors drive standards of professionalism and quality that often include good ESG practices. For example, many creditors like to see their service providers adhere to the Credit Services Association Code of Practice, which emphasises positive social actions expected of CSA member firms, including customer responsiveness, openness about processes and best practice on information and transparency. The Code sets out a framework for good social and governance behaviours of the collections sector, such as signposting customers to free debt advice if needs be, identifying vulnerabilities and acting proportionately as a result and applying forbearance where appropriate. These are standards that fit closely with today's ESG agenda and which are now commonplace across the collections sector. There are also increasing commitments to diversity and inclusion evident across our sector – for example the Treasury's 'Women In Finance' charter gaining widespread support.

Creditors are accountable to their customer expectations and are themselves establishing frameworks for awarding work that include social value requirements – and this is also now common practice across public sector procurement. There is a premium placed on service providers who contribute positively to their community and who show a dedication to improving the quality of life, career prospects and training needs of their staff. That's why we are finding many who operate in the collections sector are keen to highlight their participation in skills investment and apprenticeships for their colleagues, because these illustrate good employment practice and a long-term commitment to local economic contribution.

While the positive work already underway across the collection sector is commendable, there are always new challenges that should be addressed. What further reforms could be made? In the CSA's July 2022 report *'Modernising Consumer Protection: The Case for Reforming the Consumer Credit Act'* we estimated that the volume of paper-based notices for customers mandated by these old regulations was now not only highly confusing for customers but also potentially detrimental to the environment. Our survey indicated that perhaps as many as seven million notices of various types are required to be sent by the Act which, if containing perhaps three sheets of paper each, add up to a potential annual 1.2million kg of carbon footprint. With all the postage and delivery added in, this must surely be an area for reform and modernisation with benefits for both customers and the environment!

While the news agenda may be currently looking elsewhere, financial services firms can continue to play their part in modernising best practices and doing their bit to improve the environmental, social and good governance of our economy. It is often what customers expect and more often than not translates into efficient, commercial common sense.

All roads lead to FOS...

John Reynolds
Expert Pensions Limited

RE: British Steel Consumer Redress Scheme (CONRED 4)
Policy Statement 22/14 (PS22/14)

Like the three wise men following the bright star, all compliance, calculations, case reviews and redress work as described in British Steel Pension Scheme (BSPS) PS22/14 will lead to the Financial Ombudsman Service (FOS) (in some shape of form).

The FCA has put down some serious markers with the publication of PS 22/14 and the requirements within CONRED 4 for the BSPS Redress scheme.

You might want to start here: https://www.fca.org.uk/consumers/pension-transfer-defined-benefit/redress-calculations

Then here: https://www.fca.org.uk/consumers/british-steel-pension-redress-scheme#revisions

(10 times either the FOS or FSCS are quoted on this one page).

That's where any members of BSPS who were given advice to transfer out of the defined benefit pension scheme, will be directed. The FCA has already written to them. They are aware of what is going on.

You will also have to contact every one of your BSPS DB transfers. They will be expecting your note.

Here is a quick summary of a few things you might want to have a look at before the scheme commences on 28th February 2023.

Firstly, within 1 month of the start date you will be required to identify all scheme cases and write to the BSPS members who received advice to transfer. That will take a wee bit of time - hence the publication now and the timing of the start of the scheme.

PS22/14 sets out conditions that must be satisfied for the case to be deemed a case within the scope of the redress scheme, here's a quick summary of the key points:

1. A firm gave a BSPS member advice to transfer and BSPS DB occupational pension benefits were transferred between 26th May 2016 and 29th March 2018. These dates are important - we'll come back to the time bar in another article, but all these transfers are in scope (they are not time barred).
2. The suitability requirements as per COBS 9.2.1R are applied to the advice and DBAAT work will have to be undertaken to confirm suitability (and then confirmed to the FCA, who will ask the FOS to check it).
3. The consumer had not, prior to the 28th February 2023, accepted in full and final settlement, an offer of redress in respect of the advice.

Now, that's an interesting one: is there time to offer a full and final settlement before they come into scope?

4. The BSPS member (a BSPS member advice to transfer and BSPS DB occupational pension benefits were transferred between 26th May 2016 and 29th March 2018) had not, prior to the 28th February 2023, made a complaint to the FOS.

Again, interesting - not only did we have PS22/14 issued, we had PS22/13 issued on the same day. FOS complainants will have the choice of redress on the basis of either 17/9 or 22/13 (see previous links for more on that). What works best?

5. The BSPS member as described above, had not already had a review of the case by the firm under a skilled person review, the result of which deemed that the advice was suitable, and that the client had the right to complain to the Financial Ombudsman.

“The FCA has put down some serious markers with the publication

The other conditions center around the prevailing law and whether the client knew before 24th November 2016 (England, Wales, and Northern Ireland) that they had received unsuitable advice. That's when the discussion about the time bar becomes relevant and whether it applies…and that's a whole different article.
The situation in Scotland is slightly different in that the transfer was on or after 24th November 2017 and that the client could not have reasonably been expected to know that they had cause to complain.
Once you have checked that through, if a case does not meet any one of the conditions a letter must be sent to the consumer between 28th February and 28th March 2023 confirming the reason why the consumer is excluded.   The letter offers the consumer the opportunity to

the FOS in respect of the decision (all roads lead to the FOS…). These letters are in a prescribed format and are contained within the Annex to the PS 22/14.
If the consumer meets all the conditions, a letter in a pre-scribed format (annex to PS22/14) must be sent confirming the inclusion of the case within the scheme.
And, worth noting, there is also a letter which offers the consumer the option to opt out of the scheme and not have their case reviewed (this is an opt-out scheme, not an opt-in).
As you can see from this brief summary, there is a little bit of work to be done prior to the commencement of the scheme.
If you'd like to know more about PS22/13 and/or PS22/14, DBAAT training or redress calculations please do give us a call or drop us an email.

Consumer Duty Rules – preparing for the latest FCA regime

By Neil Herbert from HR Comply

> "Under Consumer Duty, outcomes will be the main focus and senior management and the board will be on the hook should firms fall short.

We have been here before. You finally get on top of the FCA's latest regulatory and certification regimes and rules – and along comes a whole new set to deal with. I'm thinking:

⇒ TCF
⇒ Retail Distribution Review
⇒ MiFID I&II
⇒ Financial Advice Market Review
⇒ SMCR

The latest is of course the Consumer Duty Rules – which come into effect this year. But how different is this new set of rules to the others that have gone before and what must employers prepare for and focus on? Is it just more of the same?

What many of the above have in common and at their core is:

Ensuring fair and satisfactory outcomes through delivery of quality and suitable advice and products.

Advisers upholding minimum standards of competence integrity, conduct and delivery standards - at expected levels

Put aside the products themselves and focus on delivery and these two points - and we see a renewed determination at the FCA to focus on the people in the industry – how they behave – how they perform – their fitness and propriety to perform their roles – and the standards to which they deliver them. The ultimate objective being the protection of consumers and markets.

These are things that have long been in place through TCF and RDR – and it is tempting to assume that Consumer Duty is just more of the same but with bigger teeth.

However - that would be an underestimation. One of the key differences is that - in the past when under investigation, firms could demonstrate to the regulator that all the right policies, training, frameworks and controls were in place. Boxes had been ticked, responsibilities for ensuring competence conduct and quality had been delivered.

What wasn't being demonstrated clearly was whether these measures were in fact delivering fair outcomes for consumers.

Under Consumer Duty, outcomes will be the main focus and senior management and the board will be on the hook should firms fall short.

Setting customer outcomes and identifying that customers are getting suitable advice and results - not just automatically renewing products without full assessment of their ongoing suitability for example – will become automatic requirements.

But before there are outcomes there is the Adviser and their advice. Whether they have acted appropriately and to expected standards and – by extension whether the firm has ensured that. That part hasn't changed at all.

A senior executive at the FCA recently said - "Where we identify serious misconduct that breaches that duty, we will use our full range of powers to tackle that … issuing fines, removing permissions and securing redress for consumers. And we will hold firms, including senior managers and boards, to account for delivering these outcomes."

Time then is running out as is the FCA's patience as fines hit record levels. In fact - the deadline for firms to have board-approved implementation plans was the end of October 2022.

Any firm taking the rather relaxed view that Consumer Duty doesn't represent much of a departure from TCF, does so at their own peril. The more prudent firms out there will be looking at strategies and technologies to help them meet guidance requirements not just for the Q4 deadline just passed, but well into the future as Consumer Duty beds in.

One of the biggest problems I see - is that in my experience many firms already aren't doing all this to satisfactory RDR and TCF standards. Let alone to the standards of Consumer Duty.

Those firms wanting to catch up before they can hope to move forward - might urgently consider getting in place a solid framework of process and technology that:

- Defines and delivers accepted benchmarks for behaviour, competence and quality/suitability of advice
- Sets benchmarks and then KPI's for staff through which these can be properly assessed and monitored
- Defines training/CPD plans – at an across-the-board level and individually
- Identifies risks through behaviour performance delivery and quality and mitigates them through the setting of relevant individual T&C plans.

So how can we help you?

HRComply provides an online platform through which all of this can be automated, monitored and planned with relevant access to staff at all levels – that:

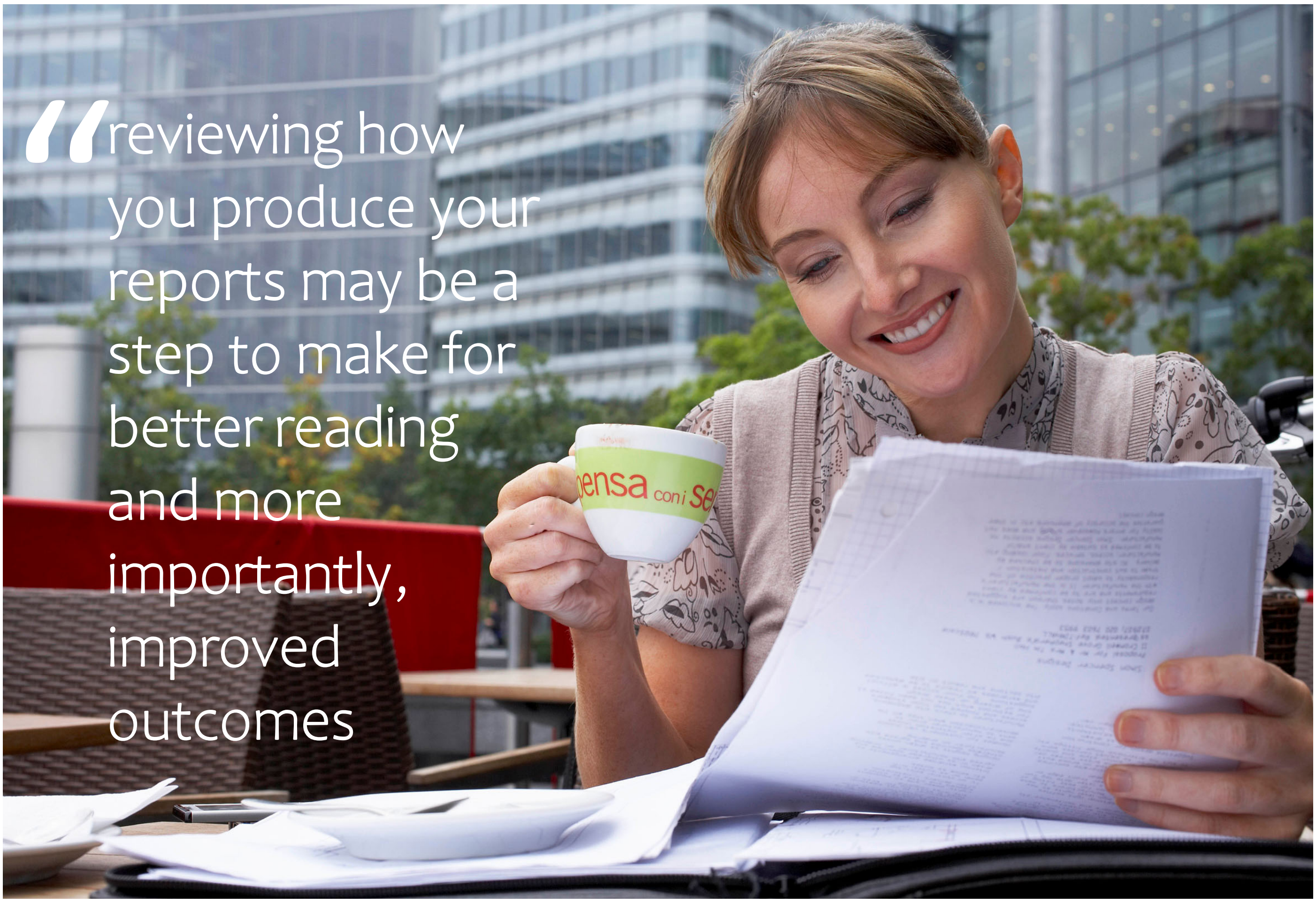
- ♦ Keeps all your records and complete audit trails in one place.
- ♦ Allows you to set training and mitigation – either in any individual assessment - or separately. Then tracks completion against target timelines
- ♦ Enables setting of checklists and KPI's for all aspects of assessment - meeting observations, call assessments, file checks, 1:1's, client outcomes, performance and conduct evaluations etc.
- ♦ Distributes all assessments and creates work flows giving you complete analysis and oversight of completion, triggering alerts where there are shortfalls on completion or standards.
- ♦ Pulls together seamlessly all your T&C, Conduct, Quality and performance assessment and monitoring.
- ♦ Delivers to your bespoke needs at a non-bespoke price.
- ♦ Does not require subscription to lots of different modules. Just one complete solution giving you exceptional value and return on your investment.

As with all of the FCA regulatory framework around Training, Competence and Conduct – so much of this is basically common sense. Best practice is just that – best for the business, best for staff and customers. Of course - most firms want to deliver on this and often already are – but as with all regulation they are required to prove it. Without having robust defined processes, methods of assessment and records/audit trails of T&C - and now both delivery and outcome - that will prove difficult.

Call or email now for further information or to book an online demo.

Writing a report your bosses will look forward to reading

By Phil Ingle from Phil Ingle Associates



The worlds of risk and compliance in financial services seem to thrive on the production of reports. Readers, however, do not always seem to thrive in quite the same way.

While many reports carry an organisational 'look', we can remember than with report writing there are no rules about how it appears and what it looks like. Personal preferences, organisational culture or simply people using previous reports as templates – or just templates – can mean lots of reports look the same, possibly hiding important information under a cloak of corporate anonymity. There are no rights and wrongs in report writing: even if there may be some 'rights' and 'wrongs' relating to them if written in Standard English language.

Here is a collection of tools and tips to help you consider how you write reports, based around the writing process – before, during and after your report writing.

Before:

- Go straight to 'after' – at least taking a mental leap forward. Following Stephen Covey's famous habit of effective people and beginning with the end in mind, picture what you feel should happen after your report is read. What do you want the reader to understand, improve or simply commit to doing? This leap forward is to enable you to focus on the purpose of your report; not just to be read but acted upon. Something should happen as a result – otherwise why write it? (A conscious decision to take no action can still count as an action: the outcome is the decision).
- While beginning at the end, you are not deciding the conclusions or actions in advance – you need the gather and analyse the data/information first.
- Scope it out in terms of its purpose or outcome as above, and in the timescale and the requirements of the audience – those who will read it. Some reports must be prepared regularly, but one-off reports will need to work to a timescale, or risk remaining the difference between a dream and a goal. Understanding what is important to your audience is also key to your report being read. Tailor your report not just to their existing knowledge level, organisational level, or experience – but consider pitching it towards their desired communication style too. Personality style tools such as DiSC or Insights provide a colour-based template guiding you to certain characteristics

and you can use this to consider the style and structure of a report. More 'Driver' type personalities may appreciate a punchy conclusion as the first point of an Executive Summary: more analytical types may want a more logical approach from which a consolidation is drawn.

- Gather & collate information – the nature of which will vary wildly depending on the outcome of the report. This is where you can start considering how your report may look, and how you will use information – graphics, illustrations, data - to engage the readers.
- Structure – there are no rules about reports having a particular structure, so consider the likely headings and what will work best for the audience. An Executive Summary will frequently appear towards the front – but do you need some scoping statement before that? A tool for the likely headings is BOSCARDI: Background, Objectives/outcomes, Scope Constraints, Assumptions, resources, Deliverables & Issues. With a clear scope you should be able to decide on what structure and order will work best.

During Writing

- Again – no rules. You can start with the conclusion and work back or use BOSCARDI and then decide on your conclusions and actions. Remember the benefits of using either Inductive logic (Because of X, Y & Z this is true) versus Deductive logic (this is true because of X, Y & Z).
- Start with the Executive Summary then flesh out everything else – or write everything and then produce the Executive Summary? You decide. Remember your conclusions/recommendations/ actions need to be thought through and presented in a way that will be effective for the audience.
- For some useful tips on the process of writing have a look a couple of Harvard Business Review Articles – links below. You don't need to be J. K. Rowling to realise the importance of writing somewhere that you can focus you mind on the work required, but ideas such as reading what you have written out loud can be surprisingly effective at helping you achieve your desired impact with the best words for the job.
- Remember editing is a part of the process. I find most people on my Report Writing training courses have a desire to make their reports more concise. This is straightforward: word count. Yet it remains something of an art to decide whether "Sales increased 5.4%" really is an improvement on "Revenue increased by 5.4% during the year ended 31 July 2022 due to the successful product launch of Product X in October 2021, accounting for 60% of the increase, as well as the positive impact of GBP/USD FX movements, accounting for most of the remainder".
- Beware of marking your own homework: a colleague may be better placed to spot tpyos (see what I did there?), and even small formatting and grammatical errors will leave an impression about the professionalism of your report.
- Appendices: use thoughtfully to include extra information and data, but outside the body of the report. They should go to the end and each one suitably numbered and on separate pages.

After

- Ideally your report will be received an acted upon – the best feedback you could wish for. But that doesn't mean you cannot seek further feedback or offer suggestions about improvements to format and content in future reports – especially if you are producing the same report frequently.

There are reports publicly published most weeks, so looking at how others go about the process can help you learn a how to improve what you produce. I share a couple of links below to reports I feel are interesting examples of format and approach – you may not agree with all the findings.

If you cannot identify why a report has been written a particular way, that may be a clue that someone – maybe even you – are just using the previous report as a template. If you want different outcomes, you usually need to use different behaviour: reviewing how you produce your reports may be a step to make for better reading and more importantly, improved outcomes.

Some example reports:

Presented on a web page, with a separate published Executive Summary
https://urbanhealth.org.uk/insights/reports/expanding-free-school-meals-a-cost-benefit-analysis

Good example of a long and quite complex topic being boiled down to a pithy title and subheading
https://www.unep.org/resources/emissions-gap-report-2021

Controversial when published, but an interesting example of format and methodology.
https://www.gov.uk/government/publications/the-report-of-the-commission-on-race-and-ethnic-disparities

Articles on the writing process:

Practical tips on the writing process, not just for reports:
https://hbr.org/2021/09/5-surprising-tips-to-help-you-write-like-a-pro?utm_medium=email&utm_source=newsletter_daily&utm_campaign=mtod_actsubs&utm_content=signinnudge

Useful model for gaining attention and engagement
https://hbr.org/2021/07/the-science-of-strong-business-writing

Short article to get that word count down
https://hbr.org/2022/06/how-to-write-concisely?utm_medium=email&utm_source=newsletter_daily&utm_campaign=mtod_notactsubs?utm_medium=email&utm_source=newsletter_daily&utm_campaign=mtod_actsubs&utm_content=signinnudge

Motivating Advisers in the era of "Quiet Quitting"

Knowing that someone caused this phenomenon may help you solve it.

By Paul Archer from Archer Training

The FCA Plays its Hand

The FCA is again banging the drum of "Treating Customers Fairly", or is it "Fair Treatment of Customers"? No, stop; it's actually "The Consumer Duty". Whilst this initiative is very welcoming, their work on advisers and how they are supervised and managed has an equal impression on the mortgage sector.

The FCA has the microscope on the thousands of lone IFAs and Mortgage Advisers plying their trade under a Principal Firm. These advisers operate alone or in small disparent teams and must be self-motivated to succeed. Our regulator wants to make sure these advisers are adequately managed, supervised and ultimately provided with motivation by their supervisors or managers. Many managers might find this challenging due to a lack of training.

Quiet Quitting

I'm sure you've come across the popular term "Quiet Quitting", which has recently been doing the rounds on social media. Agree or loathe it; you will have an opinion that tends to be polarised.

Most people over the age of 50 will be astonished by the concept. We entered the workplace at a very different time and dimension. I began work in 1982 smack bang in the middle of the nastiest and most fearsome recession known for many a year. Unemployment climbed to over 3 million, the UK industry was collapsing around us, and the downturn was biting deeply in every sector. I was also one of the children of the baby boomers. There were millions of us all looking for work.

Technology was nowhere near what it is today and gave a slight advantage to those who were good at it. You had knowledge and skills, but the one aspect that allowed you to shine was your work ethic. I knew that to get on, I had to work "beyond the call of duty", and I did. I wasn't afraid of it or felt it was wrong; I just did.

Who's to Blame for Quiet-Quitting

1982 was a distinct era, light years away from today. We now live in a different world, and there's a variety of reasons why many younger people are not feeling motivated or inspired. On balance, it's not their fault – it might be ours.

Let me explain why it's not their fault but probably ours:

1. Social media allows people to share their woes and pick up others with similar views. This "group think" makes it seem ok.
2. Some managers in the financial services sector follow Theory X styles. Not all the large corporates used to train managers well, but these teams have all been disbanded. A large chunk of managers in financial services is capable on the technical side but fairly mundane at management skills. It's not their fault – they've never been trained. Instead, they pack in the qualifications on technical aspects and are superior at giving financial advice. They don't know how to manage or motivate their staff.
3. We still have a gamut of top-down management styles and structures—an old-fashioned hierarchy of boss and subordinate. Probably to do with risk management, decisions are often made at the top, and compliance delegates many controls to those at higher levels. The risk lens predominates.
4. We have many rules. These come from compliance and risk avoidance. Although mandatory during the pandemic, working from home, for example, is becoming less encouraged by traditional management within our sector. Management by seeing people is the order of the day because that's what many managers are used to.
5. There is a lack of empowerment in newly qualified advisers and team members. Again probably due to compliance and risk fears. Every aspect of our work is rigid and process-driven to ensure sound advice and minimal risk to the business. Micromanagement is not intended, but systems and software manage now, not people. For many advisers, every aspect of their working day is matched with a computer input field and system entry.

6. There is a perceived unfairness to aspects of work. Why should the boss be allowed to work from home more often than others? Just because she's the boss. Why should she be on the golf course at 2 pm being entertained by some BDMs? How come she's paid 50 times more than me? My frame of reference tells me this is normal, as that's how it's always been in my working life. But new younger employees possibly feel this is unfair.
7. The labour market is tight now. There are plenty of jobs around, and unemployment is almost extinct. This gives people more confidence to express their views rather than hunker down, get on with their jobs, and be thankful they have a job.
8. Is there a reliance on money and rewards to motivate and stimulate our advisers? The remuneration in financial services is undoubtedly high compared to other sectors. Wealth managers have been weaned on lucrative funds under management fees, with the rising stock market propelling these fees to ever higher levels. Mortgage advisers do well on procuration fees and commissions. Unfortunately, relying on money to motivate people only works to a certain degree. Younger people need money but pride themselves in desiring time off, better working conditions and an appealing culture. These are just as important as money.

How to Fix Quiet Quitting

So if it's possibly our fault and the workplace culture we've created, then surely we must fix it. To provide an environment where young people can feel motivated and inspired to cancel "Quiet Quitting" and feel highly encouraged in their work. Here's how:

- Pay them enough to keep the problem of money off the table. The cost of living crisis will affect everyone, and higher interest rates on our mortgages will pressure wages. Money is a hygiene factor and needs to be suitable; otherwise, it will cause discontent. Just look at the strikes currently stifling our economy. Money won't ostensibly motivate someone to perform better in the long term.
- Give them flexibility in their work—allowing hybrid or flexible working practices. Working remotely when they wish to is essential to advisers, as is flexible hours if they're employed, time off when needed, and paternity leave with pay. Again this is a hygiene issue and will only stop your advisers from being discontented.
- Allow more autonomy in their work whilst maintaining control and compliance with their advice work. Empower them to make decisions without causing client risk or business jeopardy. This is hugely motivational – the freedom to make decisions about their work.
- Allow them to work for a cause they believe in. Ensure your cause is known, authentic and resonates with the younger generation. Make it genuine, not something you stick on a poster in reception.

> "Motivation isn't something you sprinkle on people – it's the environment you establish for the people to thrive.

- Encourage and promote positive mental health in the workplace. Younger people and young-at-heart advisers value this more than ever before. Recognise what mental health is all about; believe me, not every manager in our sector does.
- Allow your advisers to do great work and receive feedback for it. Feedback from clients via testimonials and referrals. Regular feedback from their supervisor is vital. Peer recognition is essential to feel good and hold your head high. This is an intrinsic motivator, people feel it inside. Awards dinners don't cut it, especially with free bars. It's a counter-culture to the one you need to develop.
- Let them gain mastery of their trade. Education and training should be fed regularly, not just because compliance says so. Let them advance their career if they want and learn skills to accelerate their development before they're promoted not after. Help them to feel important and give them inspiring and exciting work.
- Let them progress, and give them the time to advance in their careers. Mortgage advisers are shown how to increase their permissions and become full advisers. IFAs into wealth management. Management, training, and compliance are all development routes for advisers.
- Financial services have their ego, and the old ways still prevail. Many bosses over 50 have a distinctly different frame of reference to the younger people helping the advice sector move forward. Motivation isn't something you sprinkle on people – it's the environment you establish for the people to thrive.
- "Quiet Quitting" isn't new. Back in the day, people would leave the firm if that's how they felt, and many still do. But these are all the effects of the cause. The cause we created can be changed, and it's our duty.

Paul Archer is the author of nine books. His latest book, "Mortgage Advising – The New Rules" was published in March 2022 and is available on Amazon

Watch Paul in Action on his YouTube Channel by going here http://www.paularcher.tv

His LinkedIn Profile can be found here http://www.paularcher.uk and he welcomes your link

What are the barriers to providing a pension dashboard service?

Henry Tapper
Chair, Age Wage

"No one should fight shy of looking at opportunities to recover costs and then deliver profits from an investment in becoming a dashboard provider.

The organisation behind a pension dashboard (officially a **P**ension **D**ashboard **S**ervice firm or PDS) is usually considered to be a bank or insurer. The dashboard itself is conceived as a loss-leader designed to get trust - its a PR tool according to this article by the Pension Dashboard Programme's , Richard James
For the organisations offering dashboards, the benefit comes from the relationship with the consumer. A bank or pension provider could extend the relationship they have already, or create one with new customers. A pensions dashboard could help them serve existing customers better by putting them more firmly in control of their finances. It also provides an opportunity to engage with people while they're planning their retirement.
The three proto providers trialling the dashboard are Aviva, Bud and MoneyHub. Aviva needs no introduction and most readers of this blog will be familiar with MoneyHub who help individuals manage their money, were one of the first non-banking organisations to embrace open banking. Bud is not a consumer facing brand but an enabler -describing themselves on linked in as, "Helping enterprise-scale organisations to unlock the power of Open Banking and enriched transaction data to drive growth."
What they have in common is industrial strength, these are organisations that the market considers are ahead of the curve on issues to do with data security and the probity of their business model. Rightly so, but does the Pension Dashboard need to be supplied at "enterprise scale" and does reputation count for everything?
I would expect Aviva , Bud and MoneyHub to have roles either as dashboard providers or dashboard enablers but I wonder if the organisations that apply for authorisation in 2023 and become ready for the Dashboard Available Point (we hope in 2024) will be "enterprises".
The barriers to entry , to provide a dashboard are surprisingly low. When you consider that the cost of applying to be a CDC scheme is £78,000, the £40,000 regulatory capital and £12,000 FCA fees to be a dashboard provider do not look prohibitive.
See SUMMARY next page
Proposed regulatory framework for pensions dashboard service firms - FCA
That FCA is even considering a "small" firm as a potential dashboard provider suggests that they do not see dashboards as prohibiting the SME and indeed the fin tech start-up.
What is more daunting for a small firm is the need for a full audit from Crest, this will mean that every aspect of the dashboard's data management is tested for its capacity to withstand not just normal usage, but attacks from hostile hackers. The FCA are making it certain that any young firm looking to become a PDS must be "small but beautiful".
The standards laid down by both TPR and FCA and publicised through the Pension Dashboard Program are exhaustive.
The commerciality of the dashboard
The new word for sales is "origination" so I will use that word to describe what commercial opportunities there are for pension dashboard services.
Currently the cost of acquisition for SIPP, equity release, protection and annuity products is substantial, this is because originating products is hard where there is little pre-existing engagement.

Summary of costs and benefits

As we explain above, we do not consider it reasonably practicable to estimate all costs in quantitative terms. Where we have been able to estimate costs in quantitative terms, we summarise the estimated costs for new entrant firms in Table 1.

Table 1: Summary of estimated costs for new entrant firms

	Average cost (per firm)	
	Medium	Large
Familiarisation and legal review	£9,500	£29,000
Data security (systems and controls)	£28,000	£98,000
Reporting and record-keeping (supervision)	£3,000	£18,000
Prudential requirements	£40,000	£40,000

Table 2: Familiarisation and legal review costs

Firm category	Familiarisation cost per firm	Legal review cost per firm	Total costs per firm
Large	£15,000	£14,000	£29,000
Medium	£4,000	£5,500	£9,500
Small	£1,200	£700	£1,900

The pension dashboard promises a moment - indeed up to 30 days when people can reasonably be considered in "buying mode" - ready to take action if there is an opportunity, if only to get the pension and related issues out of the way.

Own the customer's attention for but a few minutes and the user experience should include doing something, if that something is no more than paying for a closer look at the decision's ahead.

No one should fight shy of looking at opportunities to recover costs and then deliver profits from an investment in becoming a dashboard provider. In my views, pension dashboards need to stand on their own two feet to be sustainable.

Providing a service on a cross-subsidy from a bank or insurer or SIPP or master trust should not be considered a sustainable business plan either by investors or regulators.

I suspect that I will be arousing the ire of some of my colleagues in not-for-profit occupational pension schemes and I expect a sharp riposte from at least one member of the House of Lords, but I do see the fringes of dashboard becoming commercial market places and if not souks - certainly retail parks!

This does not mean that the core dashboard needs to be compromised, there is no need for data to lose its integrity or of confidence in the dashboard to be diluted. The pension dashboard's core activities, finding pensions, collecting and publishing data and projecting forward, likely lifetime income - ALL WILL BE FREE.

Those for whom the advertisements of third-party services are distasteful will be free to watch the BBC of dashboards - MaPS. But commercial broadcasters have been a boon to the viewer and commercial dashboards will do the same for pensions.

So, if your organisation is potentially interested in becoming a dashboard provider, I'd encourage you to start familiarising yourself with the material already published on the dashboard provider hub. And to register your interest with the Pension Dashboard Program by emailing infopdp@maps.org.uk, so that you can be kept up to date as work progresses.

Dashboards need diversity. I am hoping that we will find a way to help people using pension dashboards make better decisions through the use of value for money as a metric, rather than price.

Hard Times

By Derek Davies

I hope Charles Dickens will forgive me for borrowing my title from one of his books, but it seemed to sum up the position some people will find themselves in, during this coming winter and beyond.

An FCA survey on borrowing, released in October, found 1 in 4 UK adults are in financial difficulty, or could quickly find themselves in difficulty if they suffered a financial shock, with 4.2mn already having missed bill or loan payments.

In addition, it found people living in the most deprived areas were nearly seven times as likely to be in financial difficulty compared to those living in the least deprived areas; with those in the north-east of England the most likely to be affected.

I was talking to a hospital nurse recently, who is paid under £11.00 per hour, out of which she must put a roof over her family's head, and feed herself and her four children, along with the addition of the earnings of her eldest child, who is also on minimum wage. This struck me as very Dickensian.

It is no wonder, with the current rate of inflation, that people like her are worried about where their next meal is coming from, rather than being concerned about the cost and benefits of financial advice. However, these are the very people whose families would be badly affected by a lack of life cover but are the most likely to not take out such cover or consider cancelling it to save money.

Back to Basics

As far as T&C is concerned it has now got truly diverse, with schemes being operated by mortgage brokers and lenders, as well as in the traditional areas of financial advice and wealth management.

There is therefore an increasing likelihood of T&C supervisors and managers having to assess cases where complex decisions need to be made by previously seemingly well-off households about cuts in expenditure. Clients may suggest the adjustment or cancellation of pension contributions or savings plans, as well as decisions on the cancellation, reduction, or rearrangement of important safeguards like life cover, critical illness cover, or income protection policies.

Uncomfortable conversations may be needed with those who see the latest mobile phone or their Sky Sports add-on, as being more important than contributing to their employer's pensions scheme; or ensuring there is sufficient life cover to look after their family when they get run over while watching football on their latest piece of 5G wizardry.

For T&C supervisors and managers this may be an area that they have not dealt with in detail for years. Indeed, it

“Otherwise, those who simply look at the quantitative and financial aspects, while ignoring the qualitative aspects, might find the FCA sending them an administrative fine next Christmas, wrapped neatly in a Final Notice.

forms part of the syllabus for the Chartered Insurance Institute’s *Financial Services Products and Solutions (LP2)* Level 3 qualification, so for those with Diploma level qualifications and above, parts of it may be a distant memory.

The other issue here is the accurate documenting of the advice provided, including advice not to do something, as well as any action to be taken. Documenting advice to a client not to cancel a life policy, or not to cease contributing to a pension is essential. This is not only for the client’s benefit but to ensure that the adviser, and the firm, can show they had done the right thing in the event of a complaint from a distressed wife, husband, or partner about the lack of adequate cover.

However, this may need a review of the relevant T&C documentation to ensure those undertaking supervision, are identifying these basic issues, as part of their activities.

This is necessary, because without a suitable aide memoire, it is possible some details might be missed. Indeed, since advisers may not often have been in this situation, there is a need to collect as much information as possible from meetings, so relevant feedback and training can be provided.

However, such aide memoires are not going to be foolproof, and supervisors will need to use lateral thinking, as well as their knowledge and experience, to ensure the best outcomes for consumers, advisers, and firms. For the benefit of those who assert that they can create the perfect observation aide memoire, I would like to share something Douglas Adams wrote: “A common mistake that people make when trying to design something completely foolproof, is to underestimate the ingenuity of complete fools.”

Flawed Thinking

Another issue with the potential effects of the current cost of living crisis, is the actions financial services firms may decide to take to safeguard the future of the firm, during these challenging times.

This will be a combination of efforts to increase income, maintain profitability, and/or to reduce costs. We can all think of ways that firms can do this, and you may have experienced some, or all, of these already because of the pandemic.

However, decisions owners or directors of firms of all sizes take, when they consider they may be under financial pressure, can be flawed. They can hasten the demise of the firm, or invoke the wrath of one or more regulators, with associated penalties.

The first of these is the area of cost cutting, where the most expensive of the firm’s assets, its human capital, comes under the spotlight. The question then is, where should any cuts fall?

There is an inevitable focus on advisers as part of this process, with overall profitability often being key to a decision to use performance related issues to push poorly performing advisers out of a business. However, this then involves attempts by firms to replace the income they did generate, by recruiting new colleagues to fill the role. These new entrants will then need to be taken through training and the T&C process to achieve competent adviser status, before they can be anywhere near fully effective.

Unfortunately, at the same time firms looking for cost savings also look at administration staff and compliance staff as fair game for efficiencies. This always surprises me as who is going to train and support the new recruits until they reach competence, and who is going to provide them with the administrative support they will need?

The other problem those in charge of businesses sometimes fail to consider, is the effect of such actions on the compliance standing of the firm. This includes the level of complaints it receives, along with the cost of any compensation payments, as well as the negative effects of coming to the attention of the FCA, or other regulators.

On that note, you may have followed the FCA’s activity on the framework for protection provided through the *Financial Services Compensation Scheme* (FSCS), following concerns about increasing costs, and seen their recent feedback.

This confirmed the FCA is already taking action to tackle the root causes of high redress liabilities and to crack down on problem firms as part of its consumer investments strategy. They also plan restrictions on firms to prevent them from promoting or selling certain products and services.

Commenting on the FCA’s feedback the FSCS Chief Executive, Caroline Rainbird, said “It is clear from the feedback that FSCS continues to be seen as an essential safety net, and that removing protection from consumers is not something there is much appetite for. Instead, there is consensus that we must focus on improving conduct in the market and this must be the primary goal.”

The message here therefore is quite clear, there are still firms in the marketplace that do, or will, cause problems for consumers, regulators and their fellow FSCS levy payers, and tolerance will be more limited.

So perhaps those who are considering the cost effectiveness of parts of their business should also work out what elements help to meet their regulatory requirements, effectively forming part of their Fine Prevention Team. Otherwise, those who simply look at the quantitative and financial aspects, while ignoring the qualitative aspects, might find the FCA sending them an administrative fine next Christmas, wrapped neatly in a Final Notice.

How do you benchmark employee wellbeing?

By Michelle Hoskin, Standards International.

When people are job hunting, it's remarkable how many businesses *say* they have "a great culture," "fantastic employee assisted offerings" and "the support needed to realise their extraordinary potential."

But the reality is most people will assume that's just flannel. Nobody really knows until they are on the inside. And by then it might be too late!

All businesses claim they are shiny, bright and beautiful to work for. But the day a person starts working with them, they quickly realise the toxic levels of bullying, nepotism, discrimination and unhealthy work expectations that massively encroach on family and social time. Never mind, finding themselves fast-tracked in front of the Employment Tribunal for shabby work practices.

Likewise, the opposite is also true.

Businesses might do a tremendous amount of good work in this space but who truly knows it? People naturally assume that the business culture is just as toxic or 'meh' as any other, despite what the business crows about on their websites, job recruitment posts and social media. Only to be pleasantly surprised when they realise that they've been speaking the truth, but that the business has gone above and beyond to provide a truly excellent culture where everyone feels genuinely valued.

In reality, nobody is going to believe a business that says they are focused on wellbeing unless they can prove it. But how can businesses prove their wellbeing credentials in a way that is genuinely believable?

These days, it's just not good enough for businesses to provide beanbags, table tennis, free fruit, free sanitary products, dress down Thursdays, working from home options and pizza and beer after work on Fridays. There's so much more to having a healthy working environment focused on excellence in not just psychological health and safety but genuine wellbeing processes in the workplace.

In fact, in these days post Covid-19 where it can be a struggle to get people to work at the office, it's even more important to display the business' wellbeing bona fides in a way that makes people pay attention.

So how can small businesses in our sector prove beyond a shadow of a doubt that they put the wellbeing of their team at the same, or even higher levels of importance as profits and promotions? After all, if the business wants to improve on the latter, it's best to prioritise the former in order to get the best out of their people.

The answer is ISO 45003 - The Wellbeing Standard of Excellence. It is the first global standard giving practical and certified guidance on managing psychological health and wellbeing in the workplace.

Created by an international committee of experts and building on global examples of best practice, it provides frameworks and guidelines for managing psychosocial risk at work, as part of an excellent approach towards occupational health and safety.

Here at Standards International, we are the standards body for the wellbeing of excellence certification. This is the cherry on top for businesses to show the world they follow the standard guidelines and are awarded ISO certification as a result of their efforts.

This world class wellbeing certificate of excellence is designed to support organisations that are committed to building a best practice management system and to bolster businesses already familiar with ISO 45001 Occupational Health and Safety. It's truly all-embracing, as a benchmark for addressing wellbeing should be!

Essentially, the ISO 45003 wellbeing standard encompasses:

- The five key principles to support psychological wellbeing at work
- Leadership commitment and review
- Team consultation and participation
- Objectives to address psychosocial risk
- Eliminating hazards, reducing risk and promoting wellbeing at work
- The operational framework for maintaining psychological wellbeing at work
- Best practice tools, templates and guides

If your business is interested in getting your organisation certified and validated as an outstanding business focused on objectively verified standards of wellbeing and excellence for your organisation, let's talk!

It's a very straightforward process where you apply to join the various learning cohorts that kick off every few months of the year then start building your business capacity, skills and processes step by step with our support and guidance.

Once your business has progressed through the various stages of learning, review and implementation, you will then be assessed before being finally awarded the ISO 45003 certification.

By having this kite mark of excellence, it signifies to the prospective employees, clients and businesses that the business really is a wellbeing ambassador and has the tools, support and validation to prove it.

Supporting positive mental health and wellbeing in the workplace has never been more important, especially after lockdown and during tough economic times.

Understanding, implementing and adhering to this international standard of excellence will improve the resilience of your business, boost the engagement, performance, and productivity of your team, and make your business a magnet for new talent!

What's not to love?

NEWS SPONSORS

Elephants Don't Forget

Latest Consumer Duty Resources

The FCA have stressed the critical necessity of ensuring firms can demonstrate how they will 'embrace the step change' of Consumer Duty within their business culture. In this respect, the 'big picture' outcome is one that asks firms: how will they embed and evidence that consumers are genuinely at the heart of their business, and what will they do differently to ensure their approach to the Duty is not a 'tick-box' exercise but one that truly permeates their culture and operations in 2023?

In this month's available resources from Elephants Don't Forget – available to access below – we explore some of these key discussion points.

Consumer Duty Discussion

Click to read e-guide >

Employee Vulnerability in Financial Services

Click to read e-guide >

Tick-box compliance – is your approach damaging your culture?

Click to watch webinar >

DEVELOPMENT 2be CONSULTANCY
Your Vision. Delivered

Is it time to undertake a review of your T&C and Certification Regime schemes?

The deadline for FCA solo regulated firms to have completed their first fit and proper assessments of people performing certification functions has passed. Now seems an ideal time to undertake a review of your schemes (which you should have!) to make sure they are fit for purpose. Whether you would be interested in a review of your T&C scheme, certification regime scheme or both please get in touch. Please email info@2bedevelopmentconsultancy.com

Find out more

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

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

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

accord

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the UK's leading, award winning, supplier of SM&CR software

"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*