For People Development and People Regulation Personnel within Financial Services

T-C NEWS

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APRIL 2023

Consumer Duty: Managing foreseeable harm in the advice process

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

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Welcome to the April edition of T-CNews. 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

How to run role-play online

By Paul Archer from Archer Training

Tips, tricks and techniques to facilitate successful role-play sessions online

Role-plays are firm favourites with learners and trainers, but only if they're run properly. You'll be familiar with how to work them in an on-site class situation. Small groups with a coach are ideal; the fishbowl lost its allure.

Here's how you can mirror your success with role-plays using the online approach.

Pre Setup

Embrace positivity in your naming conventions. I like to call them Skill MOTs or Skill Services.

Remember the acronym POD. Pre-brief first, then observation, and finally, debrief. These are the steps of a field visit for a sales manager.

The context is MEDIC. Motivate, explain, demonstrate, imitate and coach. These are the steps a sales manager carries out when training salespeople on new skills and techniques. Role-play appears as the 4th step – imitation.

The demonstration is essential before any role-play; otherwise, they won't know what good looks like. If they're new to the role, provide an exemplar: a video clip or a demo from you.

Groups

If you train a large group, you'll want to break them down into smaller cohorts. Triads of three learners per group is ideal. Each group will need a coach to run the group. Use breakout facilities with your platform – Zoom and Teams both have them.

With more experienced groups, a group "leader" would be needed rather than a coach and teach them how to coach and give feedback. The group can choose a leader, or the person with the most experience typically cuts it.

One coach per three learners. Create a grid so that each person plays alternate parts, i.e. role-player, customer and coach.

With presentation practice, you'll need an audience; this gives everyone else a purpose to play.

Instead of a large group broken down into smaller triad teams, change your timing so each triad is brought online in their hour slot rather than occupying everyone for three hours.

Recordings

Recordings are precious aids to learning. Provide them before or directly after your coaching feedback.

If the clips are short, then you could email them.

Sometimes an MP3 version is enough to have rather than the MP4 video file, a whole lot smaller too.

Email links using your cloud storage.

You could ask them to record locally on their computer. Teams and Zoom allows for this.

The Players

The person who plays the "customer" can be a colleague or ANO.

ANO or any other could be an actor paid to appear at a particular time online or a colleague within the business

who is not participating in the role-play. Anyone can rock up online; that's the beauty of it.

Create your scenarios carefully and send them to all participants to prepare.

Coaching

Coaching and feedback is the crucial aspect of role-plays.

Self-coaching can be achieved via watching a recording.

Use "hot seat" coaching. This is where you stop the role-play halfway and offer feedback before continuing.

Teach everyone to self-assess themselves first

Shower the learner with positives from their role-play.

Keep to the ratio of 5:1. Five positives for every improvement piece. Suggest alternative ways rather than what you think they did wrong.

The actor can give a first impression and no more. Ask them for an overall appearance that the role-player made.

SPAM is the model - self-discovery, positives, alternatives and meaningful overall impact.

When choosing the alternative to suggest, attempt one of many. Choose the one thing that makes all the difference. The first domino that'll knock the rest over.

When you've done all the feedback, ask them what they want to keep/change for next time. Make a note for when you revisit them.

Observation Aids

You need notes to observe and give feedback

The easiest method is the T Bar. Take an A4 blank sheet and draw a large T. The left is positive, and the right is suggested alternatives. That's all. Evidence is vital if you're compliance checking.

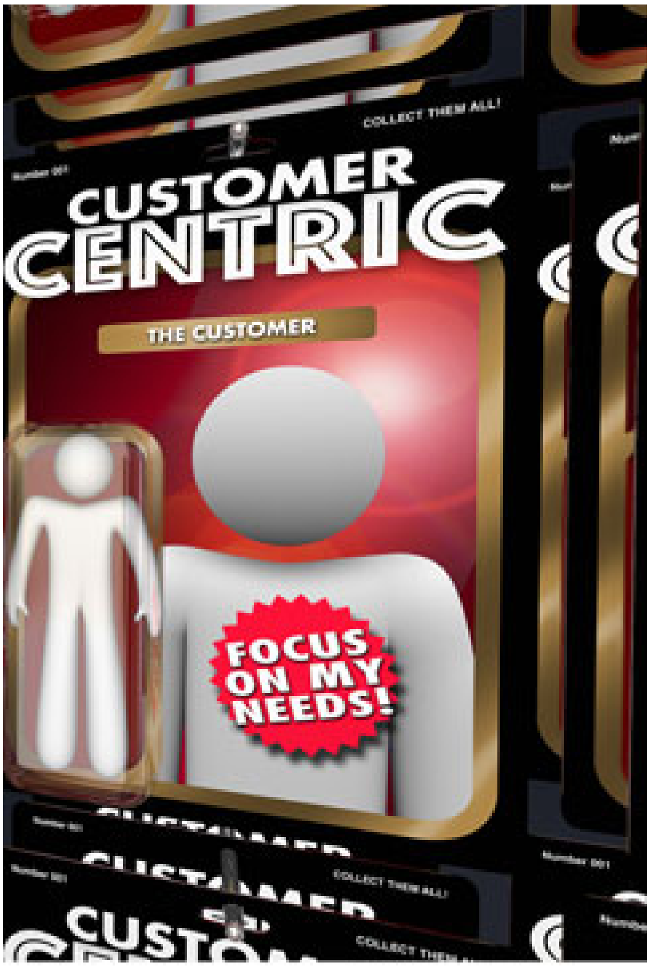
Once finished observing I like to take a red pen and circle all the positives and the alternatives, ensuring I stick to the 5:1 ratio.

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

Culture clash – Consumer Duty: is it only skin deep?

By Adrian Harvey from Elephants Don't Forget



Will the regulator fail to achieve its fundamental objective of changing the culture of UK FinServ firms and transforming the prevailing negative public attitude towards the sector?

I am not pointing the finger or indeed "taking sides"; I am simply drawing the reader's attention to the fact that (IMO) the regulator will fail in their ambition to change the culture of firms with a piece of legislation like Consumer Duty. On paper, it reads well and makes complete academic sense. But real life is different, and culture is a complex thing. To change it, you need to win the hearts and minds of all those who intend to remain in that business. Perhaps one should ask – aside from moralistic arguments – why should/would a firm change a culture that has worked perfectly well in some instances for over a century?

The regulator believes that Consumer Duty requires firms to change the very essence of how they operate. It (Consumer Duty) is not, as one commentator put it, "TCF on speed". The Duty insists the customer is put at the epicentre of a firm's decision-making process and, for that to occur, it apparently requires a culture change, not a tactical fix or 'bolt-on' to BAU.

However, it would appear many firms are treating it as such, and this has prompted the regulator to comment on Wednesday 25th January 2023, almost exactly six months before the Duty becomes reality.

"The Financial Conduct Authority has said some firms' plans to implement its incoming Consumer Duty have only considered requirements superficially or have been over-confident that existing policies and processes in place will be adequate".[1]

For me, this highlights a cultural clash between firms and the regulator. Let's face it: The City has always existed primarily as a money-making centre. Ask Joe/Joanna Public and you are like as not to get a very jaded perspective that largely positions The City as greedy, money-grabbing, and less than scrupulous – even dishonest. I don't think many reading this would disagree with the stereotype, but many might take exception at a personal level, which is completely fine and positive.

It is this sector *stereotype* however that the regulator is desperate to change and has concluded, probably rightly, that the wishes of the customer have historically come an awkward second to making profit. Particularly if making profit is at the expense of the best interests of customers. This is not to say individual firms are not working hard to deliver excellent value to customers. Rather – as a collective – The City and its associated institutions (wheresoever they be located in the UK), don't have a great reputation.

Speaking at City and Financial Global's 8th Annual Culture and Conduct Forum for the Financial Services Industry on

November 20th 2022, Emily Shepperd – Chief Operating Officer and Executive Director of Authorisations at the FCA – reinforced the negative stereotype financial services firms had.

"Giving examples of the Wolf of Wall Street and The Big Short, she said all of these demonstrate financial services in a negative light".

I get the sense the regulator is increasingly frustrated that perhaps too many firms are approaching Consumer Duty as a "piece of work"; some "operational change" they need to comply with before getting back down to business. I wonder to what extent industry business leaders look at legislation in this way: *"it's something we need to do in order to continue to operate."* SM&CR for example falls squarely into this box. Dare I say: fill in the forms, tick a box and get on with business.

If one stands back and looks at the scale of regulation and operational change that has landed on the sector over the past five years and asks the harsh question: "what has changed?" You would conclude, aside perhaps from some additional administration, generally very little. I appreciate that in some instances certain firms have made seismic changes to the way they operate, and these firms and their leaders should be applauded for doing so, but these are (IMO) in the minority and the regulator knows it.

Are firms really going to change their culture? Whilst I hear many organisations bemoaning the difficulty of proving they have a customer-centric culture; I wonder just how easy it will be for the regulator to prove they do not! I mean, remove the obvious wrong products and unfair practices from your organisation and aren't you most of the way there? You haven't changed your culture; you have just stopped selling some products that were – on reflection – deemed unsuitable. Oh, and if these products were particularly profitable then that lost income needs replacing and – given there is only one cheque book in the equation – it will be the consumer who pays, one way or another.

Perhaps in reality this removal of unsuitable products and unfair operating practices is in itself a big and easily banked win for the regulator: it is easy to audit and very conspicuous. Any firm that fails to do so is probably obvious and thus easy to apply sanctions. So, if firms just deal with the blinding obvious wrong products and unfair (to the consumer) working practices, they won't need to change their culture and Consumer Duty will – like as not – be consigned to a growing list of legislation that looked good on paper but failed completely to move the dial!

I think it rather comes down to the regulator's ability and willingness to get under the skin of firms in the sector. If they really want to "test" a firm's customer-centric culture, then who better to speak to than customers and firms' employees? Even with the best will in the world, a culture where employees are not genuinely competent in-role, will be quickly exposed. I notice at this point many firms shake their heads and explain they have the "advice" angle completely covered already. (It is this belief I suspect that prompted the comment on 25/01/23 from FCA about firms' over-confidence).

Ignoring for the moment the issue of advice, instead focus on the ability for a customer to get through to speak with somebody when the Average Handling Time has escalated to the point where customers give up. Or individuals are unable to effectively answer queries and questions on the first call, necessitating sometimes numerous call backs until an employee who does know the answer is found.

> Firms can't put the customer at the centre of their thinking if their employees aren't sufficiently skilled/competent to do so at the point of a customer interaction.

Or where an individual presents as vulnerable and the employee simply wasn't sufficiently competent to spot this and act accordingly.

I think Consumer Duty is ultimately going to be the catalyst for a culture clash between the FCA and a great many firms, but curiously not as the regulator envisaged. Firms can't put the customer at the centre of their thinking if their employees aren't sufficiently skilled/competent to do so at the point of a customer interaction.

Much of the regulation introduced by FCA that impacts employee Training & Competence has, in most firms, historically been dealt with in a lowest-possible-cost to serve, tick-box fashion. As a result, we know from more than 100m interventions of our AI application, Clever Nelly, that – on average – the actual level of employee in-role competence and knowledge is just 54%. If your employees know about half of what you need them to know to perform optimally in-role, how can they possibly and consistently deliver to the standards the regulator envisages?

If I were the regulator, seeking a dead easy, super-cheap methodology to assess the seriousness of a firm's preparations and readiness for Consumer Duty, I might be inclined to ask the question: "how do you train your employees and how do you know they are actually competent?" I suspect most of us would at this point feel super uncomfortable, if all we had to evidence competence was an annual short term memory test and a very small sample of QA data.

The reality is that in the regulator's enthusiasm to improve standards and introduce even more regulations, firms have responded by losing sight of the *spirit* of the law and instead focused on the *letter* of it. This has enabled a culture of tick-box compliance to become the norm. It serves the purpose for which it was designed, in so much as it demonstrates training was done and refreshed every year – often at the lowest possible cost. It does not, however, ensure employees are competent and knowledgeable in role; surely now a pre-requisite for any firm seeking to embrace the *spirit* of the law and comply with the Consumer Duty.

[1]FCA: Some firms' consumer duty plans 'superficial' and 'over-confident' - FTAdviser.com

Can the mortgage market avoid another category of mortgage prisoners?

Nick Baxter
Baxters Business Consultants

The law of unintended consequences is looming its ugly head again. When the Chief Executive of UK Finance highlights an issue at its annual mortgage lunch there really is a problem brewing. So, what is the issue? Mortgage prisoners. Not the traditional mortgage prisoner, borrowers who can't move lender because they can't meet current underwriting requirements, but borrowers who bought a house that no longer meets eco-fashions and that is uneconomical to upgrade to modern standards.

While landlords have embraced the requirement for rented properties to have an EPC rating of 'E' or above since 2018, it's the EPC ratchet, and in particular the tight ratcheting timeline, that is raising concerns. On any measure, the proposed timelines are ambitious. In two years' time all new tenancies will need an EPC of 'C' or above, and by 2028 all existing tenancies will require such a rating.

Buildings are responsible for around 40% of the UK's total carbon emissions and improving the energy efficiency of rented properties is considered an important step towards reducing the country's carbon footprint. Government objectives in raising all EPC ratings are laudable if net zero carbon emissions are to be achieved by 2050, but the question being asked is why landlords should bear the brunt of government policy and why landlords are the ones being forced to install insulation, upgrade heating systems, and improve ventilation etc.

The question is, have law makers thought through the unintended consequences and the increasing risk of a new category of mortgage prisoners? Let's face it, it won't be the first time that governments have not considered the behavioural implications of their policies.

Policy is easy to make, but often difficult for those effected to implement. The challenges faced by landlords are significant and include:

- Lawmakers didn't consider the cost involved with raising EPC levels in tenanted properties. Improving the energy efficiency of a property is expensive, and landlords are not often able to pass this cost on or recover the cost by increasing rents. This is a significant burden for landlords, particularly those who own multiple properties or who have limited funds.
- The practicalities of carrying out improvements has not been considered. Many landlords face challenges when it comes to gaining access to their properties, particularly if they have difficult tenants or if the property is occupied for much of the year. Do lawmakers really expect landlords to evict tenants in order to carry out the work or extend gaps between tenancies, both of which can be lengthy and expensive.
- Retro-fitting energy efficient infrastructure into older properties is not always a simple task, it's a bit more complicated than changing a few lightbulbs. Often the work is further complicated by the challenge of finding qualified, experienced, and able contractors to do the work!

While improving the energy efficiency of tenanted properties is undoubtedly an important goal, the challenge for landlords should not be underestimated.

Those advising landlords who are concerned about becoming a mortgage prisoner, because of EPC changes, can help them with proactive steps to mitigate the impact. Firstly, the sooner landlords start the process to improve their properties EPC ratings the better, even 'little by little' helps, and any improvements may also increase the attractiveness of the property to prospective tenants.

Landlords can also review their current mortgage arrangements and speak to their advisers to discuss options such as remortgaging or switching to a fixed rate mortgage. Some lenders are already beginning to restrict buy to let loans by EPC rating, so reviewing arrangements sooner rather than later could be beneficial. It may also be worth exploring the government's Green Homes Grant scheme, which may provide some financial assistance for energy-efficient upgrades to rental properties. This is no time to dither, it's time for mortgage advisers to focus on buy to let consumer needs and focus on good outcomes for their clients.

Nick Baxter is a Partner with Baxters Business Consultants. Baxters Business Consultants is a business consultancy

Succession planning

By Andy Snook from Performance Evaluations

All firms need to consider what will happen to the business in the future, no matter whether the firm is small, medium-sized, or a national. In my experience many do not plan for succession, leaving them up against a wall when key individuals resign or decide to retire. Which could be a problem. Possibly a big problem. What if a suitable successor cannot be found?

Succession planning should, in my view, start with recruitment. Consideration should be given not just to whether the applicant has the right qualifications, the right experience, and whether they will fit into the team or business, but also whether they could one day succeed somebody else. Just filling vacancies shouldn't be enough. Why would the business not prefer a successor that they know, who has a track record within the firm, somebody that they have nurtured, and somebody whom the firm has confidence that they are the right person to succeed?

> "Why would the business not prefer a successor that they know, who has a track record within the firm?

The downside with not planning for succession from within is that a firm could end up employing an external successor who might on paper be right for the role, might come with excellent references, and might even come with a personal recommendation. But the gamble is that in doing this without knowing that person, will they turn out to be the right person? Is the gamble worth it when the firm could, and should, have an alternative strategy?

The firm might also want to consider the cost of recruiting externally. This can be expensive and time consuming, and the market availability of suitable candidates at the point in time a recruit is needed may prolong this further. And the firm could end up having to recruit somebody who's experience and qualifications are less than they would want because the right person isn't out there.

On the upside however, we do have today that is massively in our favour is that the need for the right geographical location is no longer an absolute prerequisite. Providing the right person is recruited, with the right skills to master distant and remote working, this opens a whole new avenue to a firm.

When growing somebody to be a future successor, the firm should consider and plan as to how they will progress them. This is easier if, for example, the firm is aware that somebody is considering retirement or leaving at a known point in the future. More often than not the firm will only get contractual notice. The ideal route with progression planning in not so much how fast an individual progresses from joining the firm to being in a position to succeed, but to grow them to a point where they could succeed but the position may not be available. A careful strategy needs to be employed here. Obviously, the firm doesn't want the person they've grown to get to a point where they cannot progress or can't succeed and then they leave, so whatever target position is required needs to meet both their expectations and the firm's as well. For example if the firm is looking to find a successor at some point in the future for the head of Para-Planning, this target position might be something along the lines of a deputy head of, or perhaps a team leader.

When succession planning is not included in the recruitment process a firm could find itself in a position where they may be forced to recruit externally. For example, the firm might have within the Administration Team no one who is either suitable or willing to replace the Team Leader. A Para-Planning Team may have several highly qualified individuals who all enjoy their work (and quite often these days a high degree of autonomy) but who have no desire to lead the team. Maybe there is an experience gap where less experienced Advisers may not be ready to replace the more experienced Advisers. Or perhaps there is nobody willing to replace the Sales Manager. The further up the chain of command the harder succession planning becomes. These examples demonstrate the position a firm may find itself in if it had not considered succession planning as part of the recruitment strategy.

One final thought. Whatever firm we work for, who would succeed us, the Training and Competence specialists? It's not just the experience that we have, it's also the personal approach that we have to the role. That's not something easy to replicate with an external replacement.

The ascendency of the CRO – why Consumer Duty is revolutionising the role

By Jamie Hunter, COO from Aveni

Consumer Duty is driving positive change across Financial services; but with that comes challenge. Chief Risk Officers (CROs) and Senior Risk and Compliance Executives have experienced real challenges creating implementation plans, validating definitions of 'harm' and 'good outcomes', and understanding how to demonstrate both of these to their Board and the Regulator, as well as evidence of appropriate action and compliance.

However, challenges do not come without opportunity and Consumer Duty presents that with the chance to elevate, quite rightly, the profile and responsibility of the CRO across organisations, and the sector more broadly.

From operational to strategic

Consumer Duty brings it all back to the customer, and the outcomes for them will be the key metric on which all financial services businesses will be measured. The FCA even goes so far as to say it will not hesitate to push for fines or, in severe cases, jail time for firms not sticking to the rules. The accountability of Senior Executives and Board members to ensure good consumer outcomes ultimately demands a crucial role for CROs or Risk and Compliance Managers to meet the demands being placed on them.

A recent survey we conducted of +80 Senior Risk and Compliance executives highlighted a changing and more strategic role required from Chief Risk Officers (CRO) at Board level, triggered by Consumer Duty legislation. However, there is still not enough emphasis being placed on this yet by all organisations. Our survey found 67% of CROs said very little (<20%) of Board or Executive committee time is spent talking about consumer outcomes.

CROs and risk managers must be allowed to lead and implement data-driven strategies within their organisations. These will not only enable the Board and other Executive committees to get closer to customers and meet their needs and outcomes, as both the business and regulator want. With the right technology systems and approach in place they will be able to drive tangible improvements right at the heart of the business operating model. It will allow greater product and service development and elevate the experience and outcomes of all customers, but especially those in vulnerable situations.

Technology – upfront investment with long term rewards

Risk managers are being squeezed at both ends of the scale, from a regulatory and budgetary perspective, and they need to be meeting the expectations and demands being placed on them if they are to succeed. It is vital that CROs are able to deliver, demonstrate and prove truly positive customer outcomes.

Technology is arguably the differentiator that will enable them to do this and enhance the regulatory and risk

> "Those holding senior risk positions must be involved at Board level discussions as soon as possible

functions. It allows for quicker, more refined and targeted assessments and enables problems and risks to be identified and triaged much faster. This brings a whole new level of empowerment to the risk manager role and gives them the opportunity to maximise their value and effectiveness.

And it seems CROs are primed to step up to the challenge. Our research shows many are considering innovative strategies around implementing technology to monitor customer data (77%) and automating the Quality Assurance (QA) process (70%). Significantly less are considering hiring more QA staff and customer service representatives (41%).

At a macro-level technology solutions, such as AI and machine learning, are allowing CRO and Risk Managers to drive better outcomes for their business, providing more oversight and information for the business and genuinely raising key issues that can bring better operational and strategic benefits. According to research from Nvidia ninety-one percent of financial services companies are driving critical business outcomes with investments in AI, predominantly in creating much more accurate models. This changes a seemingly-perceived view of risk management as a tick-box exercise to a genuinely strategic function that derives increased value for the business.

Budgetary decision making empowers the risk function and brings bottom line benefits

A lack of budgetary control is inhibiting CROs from scaling the risk function and this must be considered very closely at an operational and strategic level. They are faced with a choice of putting more pressure and workload on existing teams, hiring more staff, or investing in technology to help alleviate mounting pressures on Quality Assurance, Risk, and Customer Service teams.

Our research revealed that 1 in 4 CROs (23%) estimated their compliance costs will increase by over 50% and 2 in 3 (67%) estimated it will increase by up to 50% as a result of Consumer Duty legislation. This makes the emphasis on consumer outcomes as a significant business metric very apparent. It is an issue that must be taken more seriously at Board and executive level than it currently is.

Arguably the risk manager has the potential to derive far greater business value through the use of technology and should have the opportunity and authority to select and assess the systems being used. This is reflected in Nvidia's research which acknowledges that companies are experiencing significant financial benefit from enabling AI across the enterprise. Over 30 percent of respondents stated that AI increases annual revenues by more than 10 percent, while over a quarter stated that AI is reducing annual costs by more than 10 percent.

Deriving shareholder value through risk mitigation

The explosion of AI-based language models is set to change almost every sector within the next ten years, and financial services is already making great strides in integrating this technology. Particularly in the area of risk mitigation, there is a clear and tangible impact being shown, as it allows organisations to redefine and better identify what risk means.

This is having a 'trickle up and down' effect, as risk becomes much more manageable and controllable bringing greater stability and reliability. This creates a stronger business model and ultimately will allow shareholder enterprise value to grow. The ability to manage risk has a direct impact on profit and those controlling that have definite skin in the game. They should be recognised as having so with a far greater profile at a strategic and commercial level – a position that in most organisations they currently do not.

As Consumer Duty gathers pace, the necessity to comply and evidence this will put a substantial spotlight on the CRO and Risk Manager role and its mitigation capabilities. Technology will be fundamental to deliver this and greater budgetary control and strategic input will be required. Those holding senior risk positions must be involved at Board level discussions as soon as possible, if they are not already, to ensure that the best outcomes for the customer, regulator, organisation and shareholder can be recognised. The CRO is in the ascendancy, or certainly should be very soon.

About author

Jamie Hunter is Chief Operating Officer at Aveni.ai. He spent 13 years in the investment industry and latterly was Head of Business Partnering and Planning for Aberdeen Standard Investments.

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Using The Consumer Duty as an opportunity to drive organisational change in the insurance industry through learning and development

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

"If Senior Managers do not lead the way, then how will those who follow them be expected to buy into the necessary changes?

The pace of change in the insurance industry over the last few years has seen a step-shift in how firms approach learning and development. It's no longer a nice to have and, with the IDD, regulated firms have had to consider how they make learning and development more accessible to their employees. With the rapid pace of technological advancements both during and post-pandemic, organisations have had to think more about talent management to recruit and retain staff, better manage their customers' expectations and to develop new skills in the workforce to cope with and manage this change.

Regulated firms can no longer rely on experience alone. As an industry we have matured, and we are seeing demand for new skills and knowledge that is being driven by regulation, generational succession, and consumer demand. Now more than ever, learning and development needs a long-term continual effort from employees, so it's important for employers to provide the opportunities for staff to go beyond the basics required for the job role alone.

As the implementation deadline for the Consumer Duty approaches, there is even more urgency for firms involved in insurance distribution to evolve their strategies for learning and development at all levels within the business. Central to this is the necessity to not treat the customer as a number, but rather as an individual with their own needs and protection requirements that must be managed on a case-by-case basis. This is not an easy task, and it requires a whole new set of skills that do not simply rely on technical expertise. This is what drives our professional standards.

A focus on culture

The Consumer Duty will require a significant shift in culture and behaviour for all insurance intermediaries. Senior Management will need to drive the changes forward and set the tone from the top, embedding the cultural shift within the firm's values and behaviours. If Senior Managers do not lead the way, then how will those who follow them be expected to buy into the necessary changes? The adage, "if I didn't treat my customers fairly then I wouldn't have any customers left" isn't going to wash any more. The FCA expects us to show how we are raising the bar. We are seeing many firms, particularly the smaller ones, struggling with defining what culture and values mean to them, so don't feel alone and seek help if you need it.

A focus on the whole distribution chain

Learning and development programmes must be established and measured for all relevant stakeholders including SMFs, management, customer facing and non-customer facing staff, third parties, and there should be a particular focus on those Principal firms who have Appointed Representatives. Everyone needs to understand not only the significance of the new requirements, but also their own involvement in the implementation of new processes and their role in supporting the customer journey.

A focus on learning &development
We think it's important that firms start to change how they think about training. Any cultural change should consider the subtle benefits gained from embedding a learning and development mindset into the business. Training should form one part of this. As well as delivering training in line with the Consumer Duty that includes guidelines, best practices, case studies and briefing updates from the regulator, firms should also now consider providing opportunities to promote lifelong learning for staff that incorporates an emphasis on developing business and soft skills training, management and leadership development, ongoing coaching, and career development.

As a new requirement from the FCA, Consumer Duty is going to take time to bed in and get right. Firms will need to practice test and learn models of working, with continuous feedback loops within the business that will help them fine tune their approach to getting things right. Learning from what works and more importantly what doesn't work is crucial to reducing customer harm and staff will need to have the skills and confidence to support this.

Firms should provide opportunities for staff to develop these new skills and any training or learning and development should be delivered in a format that is accessible, engaging and interactive. Consider a range of methods, including in-person workshops, online courses, webinars, providing reading material and hosting discussions as part of a blended learning approach. This will help employees develop a greater understanding of the Duty with a more rounded sense of ownership of their own personal development to recognise areas where customers may need additional support to ensure that the products and services they buy meet their needs.

As part of your test and learn modelling, ensure that the business is gathering regular feedback from customers, look at your complaints and claims data, and monitor the outcomes that the business has set. Discuss them within the organisation at all levels, and make the necessary changes quickly and effectively.

By engaging your staff in this process and offering the opportunities for learning and development, you will enhance the value that you can offer your customers, and also ensure that your staff have a sense of purpose in their roles, a clear line of sight for future career development within the firm, and a more cost-effective way for the business to manage its own talent.

FCA Live & Local – Consumer Duty
The most fun that a compliance consultant can have with their clothes on

By Tony Catt from TC Compliance Services

I attended the first London delivery of the Financial Conduct Authority (FCA) Live & Local series in London at the Royal College of Physicians on 28th February. I attended the Retail Investment session in the morning delivered by Mark Goold. I did not stay for the afternoon session on Mortgages and Insurance delivered by Gordon Findlay. A compliance consultant can only handle so much excitement in one day and my bank balance would have said no.

There will be 63 Live & Local sessions, which should have audiences of around 100 people at each session. As ever, the bugbear for the FCA is that the people who attend these sessions are from firms that are already likely to be preparing to embrace the new Consumer Duty and be some way towards embedding the culture in their business. Sadly, it is probably the firms that do not attend that are in most need of attending!

The sessions are designed to help small and medium sized firms understand:

1. The background to, and key elements of, the Consumer Duty
2. The areas firms should consider ensuring they are meeting the new requirements
3. How consumer duty applies proportionately
4. The FCA supervisory approach to the implementation of consumer duty

Information for Regulated Firms

- Read the FCA Consumer Duty Policy Statement (PS22/9) and Finalised Guidance (FG22/5)
- Consider the FCA feedback on our review of implementation plans
- Visit the FCA Consumer Duty homepage where you will find additional information about the Consumer Duty, on-demand webinars, and the option to sign up for email updates.

Anyway, Mark Goold came with sub-titles for all those that could not understand his accent in the form of a PowerPoint presentation. His delivery is always great. Easy to understand, subject to the caveat above. Realistic expectations. Patience answering questions, however nonsensical. He and Gordon are great public faces for an organisation that receives a lot of criticism. Rightly, in my experience of their authorisations people.

One of my concerns is that although the FCA wants short, readable suitability letters. advisers have struggled to get past their fear of FOS and CMCs to take the leap to make their suitability letters readable and understandable. Hopefully, Consumer Duty may ride to our aid.

The Consumer Duty is the latest attempt by the FCA to encourage the financial service industry to act with integrity. Following on from:

- Treating Customers Fairly (TCF)
- Retail Distribution Review (RDR)– tried to get rid of commission and failed as it got re-badged as adviser fees. Successfully, brought in a higher qualification for advisers.
- MiFID and MiFID2 the European equivalent the RDR but had more effect of providers as it brought European advisers towards the standards already in operation in the UK. .
- Senior Managers & Certification Regime (SM&CR)– bringing in personal accountability.

And now Consumer Duty which is described as "TCF on steroids" The difference now being that the FCA is gearing up to be able to supervise firms more closely and may even be building the resource to be able to enforce where poor practices are found.

The SM&CR was designed to bring in an ethical culture at all levels of organisations. The training for this was to engender the embracing of a new culture for everyday practice rather than a sheep-dip, tick box exercise. How people undertake their duties when the boss is not looking. Good practice becoming business as usual practice.

Consumer Duty

The preparation for firms to comply with Consumer Duty is already ongoing for most firms. Good practice is the review of all documentation and processes. Of course, most firms undertake this exercise on an annual basis. However, this year greater emphasis should be given to the clarity of the documents and procedures in order to put the clients into an informed position to enable them

to make decisions on how to achieve their objectives.
For many firms, who already have good ethical practices, any changes will be tweaks rather than tearing up and starting again. It should be remembered that processes and documents should work for the firm to enable them to ensure high quality business and services, rather than the firm working to fit the documents and processes.
For many years, the FCA has wanted advisers and firms to consider their advice to be a standalone product. In 2013, when the RDR was introduced, the FCA would have liked to get rid of commission for firms to move onto fee-based advice, like professionals such as solicitors and accountants. Unfortunately, due to the financial structures of most firms, the need to continue to receive ongoing payments from providers meant that commission was simply re-badged to adviser fees.
Firms need to consider that their advice makes them manufacturers of a product rather than simply product distributors. This means considering all aspects of the services that they provide. Both advice and ongoing reviews of advice need to be designed to be consumer centric.
Firms would still need to consider the Consumer Duty in relation to the design of their advice service…or as it says in FCA guidance "the rules apply to the manufacture of products and services…this covers all services including a distributor's sales processes"
Firms may also be co-manufacturers if they build their own portfolios. Therefore, they would need to collaborate with the providers of their funds of choice, to ensure that everything is consumer centric.

Consumer understanding

- Understanding of communications
- Communication channels
- Ongoing Communication
- Testing and monitoring

The keeping of records has always been important. Now, it would seem to be even more so. Keeping evidence of the implementation of the Consumer Duty will be important. Not only have things been done, we should be able to provide evidence that they have been done.

Evaluation

- The results of the monitoring that the firm has undertaken
- Any evidence of poor outcomes and the root cause
- An overview of the actions taken to address such issues
- Details of steps taken to mitigate potential future risk

The Consumer Duty will mean that advisers will need to spend more time with clients ascertaining:

- Basic client details and soft facts.
- Client objectives - short-term and long-term.
- Possible impediments to client understanding – vulnerability.
- Client experience and knowledge
- Attitude to risk:
  - ◊ Investment
  - ◊ Capacity for loss
  - ◊ Borrowing
  - ◊ Lifestyle
- Investment ethics and beliefs
  - ◊ sustainable/responsible investment
  - ◊ religious beliefs

Then the communication needs to be clearer.

- Understandable IDD and fee agreements
- Easy to read reports – possibly with glossaries.
- Short readable suitability letters – executive summaries with any background information as appendices. Possibly with glossaries in the appendices.
- Regular reviewing of objectives with understandable solutions to pursue the objectives.
- Evidence kept of all communications.

Ongoing Service

Adviser firms should be looking to segment their clients according to the service that they are going to provide ongoing. Adviser firms would normally offer the clients a menu of levels of service. It is envisaged that advisers will look at the client objectives and needs and set the service level in accordance with the level of service that the clients will require to maximise their likelihood of achieving or at least pursuing objectives.

Adviser fees

Running on from the level of service, the adviser fees should be set in accordance with the service level being offered to the client.
The FCA has never set a limit on the fees that can be applied and this will still be the case going forward. The question that the FCA will have is whether those fees offer value to the clients. A large fee may raise questions, but if the advisers can evidence that the clients have received good value with an effective service level, the large fee can be justified.
It is recognised that clients with larger funds may subsidise the other clients due to the level of fees that they are paying. Whilst this is not ideal, it is understood. This should be kept to a minimum by the setting of the service levels for individual clients. Advisers being paid for their time and expertise.

Summary

For many firms that are already operating with good business practices and ethics, the Consumer Duty should not make much difference to how they will operate in the future.
It may well be that they will be reviewing and tweaking their documentation and processes.
The main thing that firms should remember is record keeping and evidence of the reviews that they have undertaken in preparation to comply with Consumer Duty.
Attending these Live & Local events comes with a very strong recommendation. For information, visit this link. https://tinyurl.com/bdz9hztr I am sure that many advisers and firms will attend to hear about the Consumer Duty "from the horse's mouth" I am sure that Mark and Gordon do not mind this equine comparison. They have probably had worse.
I was delighted to find FCA merchandise in the form of a pen. At first, it did not work. Then with a bit of effort, it began to perform as expected. Perhaps this is a lesson to us all in our ongoing relationship with the FCA.

Consumer Duty: Managing foreseeable harm in the advice process

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

In my last article (December's edition), I talked about the fact that once Consumer Duty is implemented, ultimately the buck stops with individuals, not just the processes they follow and the structures that support them. In this article I'm going to pick up on the point about individual responsibility and explore it specifically in the context of the advice process as, for me, the advice process is on the front line of the incoming Consumer Duty (CD) regulation.

The provision of good advice is crucial to the FCA's vision that consumers meet their financial objectives and, currently, there's a major advice gap. An FCA survey in 2020 revealed that whilst over 15m UK adults had over £10k to invest, less than 50% had received any kind of financial advice over the previous 12 months, (with just 8% receiving regulated advice). The same research identified that despite the inflation eroding dangers of holding cash over investing, over 50% of adults were either 'all' or 'mostly' in cash. And, at the other end of the scale, 6% of first-time investors put their money into high risk investments (HRIs) with seemingly little understanding of the risks.

So, whilst the case for the steadying effects of regulated advice is clear, CD poses real challenges for firms and advisers alike. CD requires advisers to play their part in providing good outcomes for their clients and help them achieve their financial goals. And a key part of this is helping their clients to avoid the foreseeable harm, e.g. holding large amounts of their investable assets in cash or HRIs. Firstly, CD 'calls out' the clear power imbalance between advisers and consumers when it comes to having full knowledge and understanding of the products or services in question. Secondly, there is the arguably greater challenge of behavioural economics and the biases it potentially introduces into consumers' decision making throughout the advice process. And at a firm level, the challenges laid down by CD means firms need to review and potentially 'up their game' in supporting advisers to ensure the balance is struck between achieving their business objectives and complying with CD.

Although advice processes are different from firm to firm and the nature of the possible products and/or services on offer, almost all will contain a fact-find, an attitude to risk questionnaire, a recommendations or suitability letter and, for those with an ongoing relationship, a periodic review process. Let me take each in turn:

1. **Fact-Find:** An obvious thing to say maybe, but the fact-find is the foundation stone of the advice process. In uncovering the clients' financial circumstances and aspirations it sets the scene for everything that follows. The questions about monthly cashflow, savings, changes to potential outgoings, supporting children through education, weddings etc., are standard, but what about parents and their financial situation; for better (inheritance) or worse (long-term care) or about the likelihood of needing to support children in adulthood, e.g. house deposits, financial support through potential relationship breakdowns etc. And when talking about financial goals, in addition to questions about expected retirement date and retirement income etc., what about questions like potential career trajectory (and so earnings), security of job / employer, likelihood and financial consequences of career change or, on the plus side, new careers in later life. Of course, there will be 'red lines' that should not be crossed. However, I do wonder whether in the context of foreseeable harm and good outcomes, whether the traditional question sets should be extended to delve deeper into a client's circumstances and aspirations.
2. **Attitude To Risk**: Another foundation stone is the attitude to risk questionnaire which helps advisers identify the asset classes and associated products best suited to the risk / reward profile that consumers are comfortable with. It represents a critical piece of the fact-finding process. However, that was before Behavioural Economics (BE) came to prominence and in doing so, BE has put a completely different light on the value of a client's responses to the questionnaire. For example, take a typical question like; *"Even if I could get high returns, I would prefer not to invest my money in something that might decline in value".* If we consider that question in the context of BE, we need to consider to what extent is the person's response to the question influenced by their aversion to loss or over-confidence? Of course, it is impossible to tell. And if aversion loss and over-confidence biases are a new language to either you and/or your firm, then Behavioural Economics and a base level understanding of its impact on the advice process should be right at the top of your Consumer Duty preparation list! So, what can advisers do to counteract the worst excesses of BE? At the most basic level they can introduce the topic of BE with their clients prior to completing the risk questionnaire. Taking things a step further, a more structured approach would be for advisers to send clients introductory, easy to read and digest information on BE. The adviser could then discuss the client's thoughts and what biases they could relate to in their attitudes to investing and previous financial decisions. (Interestingly, several firms have exactly this type of introductory information on their websites).

Taking steps like these won't eliminate client bias, but it will certainly help the client think more clearly and so mitigate against bad decisions and avoid foreseeable harm.

3. **Suitability Letter**: Once the adviser has analysed the fact-find, risk questionnaire and considered a range of products/services available to them, they then produce their set of recommendations. Of course, the challenge has always been about balancing the needs of the client (best advice) against any constraints within which the adviser must work, e.g. restricted advice proposition. However, CD will increase the challenge here, for example, if challenged will an adviser be able to explain (justify) their recommendations against the higher standard of delivering good customer outcomes and avoiding foreseeable harm? How many times within firms have conversations been held between advisers and advice checking teams where advice given has been challenged? Too many times from my experience, and it tends to have a very similar conversation attaching to it where the adviser is able to provide the advice checking team with additional information that is not contained either within the fact find or any associated notes. This practice MUST STOP! Firms and individuals need to find a way to ensure that every element of information and discussion that is pertinent to any advice that is given and indeed isn't given MUST be included within the customer records. This may mean changes to fact-finds, changes to recording methods, and very likely it will need an element of educational input.

CD provides the opportunity for making the suitability letter a much broader document, taking a "whole person" view of the client. For example, given the complexity of many clients' situations, it is often beneficial to include other specialists in the overall review process in areas that are pertinent but where your organisation does not provide support. For example, lawyers helping to set up trusts to support future generational tax implications, accountants when dealing with complex tax affairs to minimise current or potential future tax liabilities, or even later life advisers where appropriate. In these circumstances, if we consider foreseeable harm, shouldn't advisers always be sign posting and recording the fact that other specialist advice is necessary to ensure a full and comprehensive advice service? And what about target market? The FCA have been clear about the correlation they are looking for between the target market envisaged for products vs the demographic that ultimately takes the product, how are firms and advisers going to evidence this at the 1:1 advice level?

In summary on this point, there are many firms that feel no need to change their advice processes as they believe that they are ok, but when you dig deeper, surely there is scope for improvement across all elements of the advice process? If firms think not, then I think that would be a very interesting regulatory conversation should the FCA ask a firm to explain why there was no need for any changes in their advice processes as a result of implementing CD.

> “And at a firm level, the challenges laid down by CD means firms need to review and potentially ‘up their game’ in supporting

4. **Ongoing Support**: Some clients look for a one-off advice process aligned to a specific want or need and others want an adviser that provides ongoing advice and support. I understand the need to offer both services and allow the client to make the decision against what they think best fits their needs. However, this is where CD comes in again. In putting the customer’s interests first, there should at least be a discussion about the need for a review of how recommendations made in the Suitability Letter are ‘playing out’ in real life. Put another way, whilst I understand that clients may think or only want to pay for a one-off piece of advice, is allowing that really acting ‘reasonably’ (the test to be applied by the FCA) in preventing foreseeable harm? This is particularly the case given how changing circumstances may affect the effectiveness of recommendations, even creating potential vulnerability. So, whilst not taking one-off advice off the table, if clients choose one-off advice perhaps offering a reduced or even no fee ‘check-in’ some months later with the client would meet the ‘reasonableness’ test set by the regulator. And whilst a review would require an adviser to invest some of their time, it would surely be beneficial in retaining a relationship with the client, it may even lead to further new business opportunities.

If my focus so far has been on advisers, what can their firms do to support a realignment of the advice process to meet the demands of CD? Perhaps the single most important things firms can do is for firms to broaden the scope of the activities identified above.

Once done, firms’ supporting processes and governance arrangements can align behind these changes for example:

1. **Training:** An obvious place to start maybe, but advisers need support to really understand the implications of CD and BE on the advice process. Scenario based, not generic, training would really help bring the regulator’s new expectations into sharp focus. There is also an argument here for developing skills around questioning and challenge. Not order taking, but really challenging the customer to allow a full and frank fact-finding process to be undertaken to help the adviser deliver the best possible advice.
2. **File Reviews:** In its final guidance, the FCA points to “*reviewing customer files and monitoring calls to check for errors and assess if customers received good <u>outcomes</u>*” (FG22/5: Section 11.33), as a key piece of possible data for monitoring how advisers are contributing to this. Setting flags, e.g. customer type, adviser experience and target market for product/ service, will identify higher risk cases to check and a structured review of the process taken and subsequent follow up with the adviser will help guide advisers to fulfil the new, higher standard.
3. **T&C Records:** Again, suggested in the Final Guidance, updating T&C Regimes and monitoring activities, e.g. observations and 1:1’s, to reflect the new approach and standards are key, as will be training supervisors on these changes and the new standards required. For me, CD demands that greater focus should be given to T&C supervisors and line managers on the adviser’s questioning, data assimilation and record keeping skills in producing the more detailed and wide-ranging Fact-finds and more expansive Suitability Letters discussed above.
4. **Complaints and RCA:** Another strand of supporting advisers as they realign their behaviour to what CD requires is for firms to train complaint handlers to be aware of these changes in the advice process and be alert to related complaints. Similarly, RCA analysts should also be on the look-out for potential trends related to the advice process, (FG22/5: Section 11.33).
5. **Governance and Oversight**: Finally, central teams should be seeking to include MI from the advice process as a key part of their CD dashboards. I say this because advice is such a key ‘touch point’ in the customer journey and is so vulnerable to poor practice.

As a result of the extensive guidance, communications and recent “Dear CEO…” letters, I hope firms have taken a step back and taken a good look at their advice processes and how they can be updated to benefit both the customer and the firm alike. Like all change, no doubt there will be some firms and advisers who are already progressed in making these changes. Some will still be figuring out how to make these changes and, as ever, there will be some who are putting their ‘heads in the sand’. I just hope this last group quickly realise the danger they are putting both their advisers, their clients and themselves in and focus on the required change of approach that CD brings.

Learning leading to promotion – the ultimate apprenticeship benefit? We think so

By Colleen Peel, Head of Marketing from Credit Services Association (CSA), and Axel Manwaring, Senior Tutor, CSA.

According to a UK government report from 2021, over 70% of apprentices aged 25 and over reported that their apprenticeship had helped them to progress in their career. Additionally, almost two-thirds of employers who offer apprenticeships reported that apprenticeships had led to higher staff retention rates and improved productivity.

In terms of success stories across CSA Apprenticeships, they do not get much better than the work we've done with AXA insurance and our Level 4 Counter Fraud Investigator Apprenticeship (CFIA). This curriculum is further evidence of the true benefits of high-quality apprenticeship training, and the real sense of achievement for the apprentices completing the course.

Axel Manwaring and I recently sat down to discuss some of the learners he has worked with. Axel is one of our leading tutors for our CFIA having worked as an Investigating Officer in the Fraud Investigation Service. He also has a background in leading investigations from referral to criminal court proceedings and has worked with numerous public bodies including the Cabinet Office and HMRC to develop the Level 4 Counter Fraud Investigator Apprenticeship.

Axel started off by giving me an example of one of his exemplary students, who has just recently gained a promotion…

“If we're ok naming names, I thought I would share the latest success I've had with one of my students. Her name is Amy Moorcroft and Amy is from the first group at AXA I worked with on the CFIA. She has just recently been promoted to Senior Fraud Investigator and in her e-mail stated that she “*couldn't have done this without the CSA course*.” I thought this was an interesting piece of positive feedback, obviously I was delighted for her, and all her hard work has paid off, but I wanted to highlight her point about not being able to do it without completing the apprenticeship itself.”

So why do you think she said this?

“In terms of Amy's success, her work ethic and moral compass always stood out to me. For example, she would send me a piece of work and would be worried because she couldn't stick to the word count (because she'd written too much). However, she had the foresight to inform me, give me the reason why, and check that this was acceptable. Some people might think this is poor word management however to me it showed an apprentice very much engaged in the course content rather than trying to meet the very minimum standard required. This is where her "doing an apprenticeship" meant she could discuss her work with me as her tutor, and it didn't matter how many words she used, what mattered was the quality of the content – which was always very good. Had she not done an apprenticeship, she wouldn't be embedding the work she was learning on a day-to-day basis to write well worded, quality essays which also brings her day-to-day work front of mind."

"It's also important to note that Amy isn't the only one excelling out of the group we are working with. Out of the 8 students currently on the AXA insurance cohort with the Credit Services Association, there have been 3 promotions, 1 temporary promotion (which is highly likely to become permanent) and finally, 2 more have had interviews for a promotion recently."

"Very recently, one of the students who has had an interview for promotion and had unfortunately been unsuccessful, asked if I would help prepare for another promotion interview. This was late in the week, and the following week she had the interview and then the first part of her end point assessment for the apprenticeship. We found time and went through all the preparations – I really did not have much to add – she had everything lined up. With in two days of the interview she was promoted. Doing this course, meant she had the opportunity to take on feedback, and prepare constructively for further opportunities which lead to this promotion."

And why do you think an apprenticeship helps towards promotions?

"One word - confidence – apprenticeships build confidence. At every meeting and quarterly review with line managers I ask them how they think their apprentices are doing and how the apprenticeship course meets the business needs for the organisation. Every manager tells me that they [apprentices] are a lot more confident, speak up in meetings, and are much more willing to volunteer information - something they never would have done prior to starting the course.

"This isn't surprising because part of the curriculum is to always encourage students to shadow and talk to other departments – it gives them a great impression of what other areas of the business do and helps to build up their network of contacts. It also helps them to communicate better, and to see how other teams work. An apprenticeship also brings out confidence through its inclusion in the delivery of the programme by making sure that everyone takes part. In meetings I ask direct questions like – "What do you do for your job?", "What is your current role?", and "How does what I am teaching fit in with that?"

"We then have coaching sessions which really helps to develop their communication skills including their soft skills – it's all these other little pieces that add to your ongoing learning which make learners develop and excel."

"Having an engaged line manager is also a must for apprentices. With the AXA cohort, they also have a senior lead, which is Tom Wilson. Tom is really focused on developing the counter fraud element of AXA and he has a passion and drive for it. With CFIA – one of the more difficult courses – his students that were signed up (through Tom) wanted to be and asked to be on the course – they already had shown the same amount of engagement and drive as Tom."

"An engaged manager is so important because initially, when considering an apprenticeship, people / managers don't necessarily see the benefits straight away. A lot of them are put off by what they see as something very time consuming and admin heavy, however, during induction, we help them to understand that this initial investment of time and effort very much pays off in the long term. In a previous CSA blog we quoted Tom saying "*short term pain for long term gain*" because this very much resonates with the apprenticeship journey. Being armed with this knowledge from the outset will set any manager up for a good apprenticeship journey with his or her staff. For example, in times when you have to shift your roles to help another team in a different department, I've seen examples were two apprentices stepped up to take on this task and it was reported that they "smashed it", doing 10 times the volume of work, mainly because they had more experience and confidence. Not only that, but when they come back to their team to do their normal day-to-day work, they were able to feedback everything they had learned, so everyone gained from it."

So, what sort of attitudes and behaviours do you think an apprentice needs to succeed and further their career progression?

"I keep going back to Amy, but she is such a good example. Amy is a good student, not the top of the class but extremely conscientious – what set her apart was that she had set herself definitive goals of where she wanted to be from the outset. Which meant she aimed to get the recognition she deserved, and she pushed for it."

"We sometimes see when students start an apprenticeship, they get challenged early on because it is perceived by others in their team that they are not doing their day-to-day work as a result. Amy tackled this head on by completing her apprentice work and coursework, and then delivering a presentation back to her team to illustrate to them what she was doing and how they could all gain from her learnings. She shared her progress throughout her journey, and showed how her doing this very apprenticeship was beneficial to them too as a collective."

"To conclude, a CSA CIFA apprenticeship is a great way to gain hands-on experience and develop practical skills in the insurance industry and further afield in financial services as a whole. As we have shown in this article, apprenticeships a number of offer opportunities for career progression, including promotions within an organisation. For more information on CSA Apprenticeships, visit our dedicated section on the CSA Learning website - www.csa-uk.com/ld-apprenticeships-about."

Pincer tactics across the Pensions landscape

John Reynolds
Expert Pensions Limited

In an open consultation published on 30 January 2023, the DWP, FCA and TPR invited views on a framework for measuring value for money for AE members of DC pension schemes.
Quote:
''DWP, the FCA and TPR are working together to develop a VFM framework and regulatory regime. This framework is intended to provide a standardised understanding of value via clear metrics, allowing more transparent comparisons to be made between pension schemes and driving more effective competition.''
Does this sound familiar?
Although this consultation is primarily geared towards AE DC pension schemes and IGC trustees, do you recognise these words in the IFA world?

Can you hear an echo of consumer duty in this 'open' consultation? The Consumer Principle (Principle 12) requires firms and advisers to 'act to deliver good outcomes for retail customers'. In FG22-5 (final guidance on Principle 12), it goes on to say:
''Am I treating my customers as I would expect to be treated in their circumstances?...And further, 'pro-actively act to deliver good outcomes for customers generally and put customers' interests at the heart of their activities'
It's the description of ''pro-actively act to deliver good outcomes'' which resonates with me and the open consultation to 'develop a value for money framework', with the aim of having trustees of IGC to deliver against clear metrics to enable more transparency.
I see very clear similarities between both approaches and I don't think it is a coincidence.

The FCA issued FG22-5 and they are also part of this open consultation. It's a pincer movement in the pensions world. It's a double-envelopment of both sides of the pensions world - retail and workplace pensions, both with the same aim of developing a clearer understanding of the service proposition, the products and the costs.
But, there is a critical difference. On the one hand it is the responsibility of the firms and advisers to act under principle 12 and on the other, it is for the trustees to act on behalf of members to ensure value for money and transparency of metrics.
Whilst there are clear differences in where the responsibilities lie, in the retail IFA sector it is clear that principle 12 is overarching.
How do you deliver good outcomes and evidence this within the context of regulatory pensions advice, as an IFA?
You could start with going back to where this all started.

Within this paper you will see how the TPR (and you can take that as meaning the DWP, FCA and TPR) view the pensions landscape across the UK and how the two key DC/ money purchase invested pensions segments are being ''managed''.
Have a look here:
https://tinyurl.com/5n89ee4f
The three core elements of the TPR paper on VFM (value for money) are:

- Investment performance
- Consumer/member support
- Cost and charges

Compare that to the outcomes under principle 12, which are very similar:

- Product and service (Investment)
- Consumer understanding and Support
- Cost and fees

The direction of travel (of the pincer movement across the pensions landscape) is clear: every IFA firm will need a VFM proposition. You can see how the different parts of the landscape are being aligned and where expectations are being placed.
How do you build a VFM, aligned with principle 12, if you are an IFA firm?
Go and have a look at those across in the DC pensions world who have been working on this for the past 2-3 years - this will give you a good start in complying with principle 12.
Our Expert Pensions PTS Knowledge Hub is designed to provide you with insight, best practice and technical refresh to ensure you maintain and enhance the knowledge and skills you need to deliver a professional service to your clients, your business and the financial services industry. Completion will also provide the structured CPD hours required to comply with the FCA rules and regulations as set out in PS20/6.
Click here to find out more

Is there a hidden cost of choosing not to participate in training?

By Jane Pitt from RedTree Training

Like many consultants, I am of a certain age. I started my banking career just after the Financial Services Act came into force. I have seen the Regulator change many times and I suspect I will get to see another Regulator change before I retire. I look back on these initial years of my career with great fondness. Yes, it was a carefree time in my life with little responsibility but what I remember most was the constant learning. Back then, we learnt the different branch roles by sitting next to a more experienced employee who gradually loosened the reins as we absorbed the new task. Whilst I enjoyed this, what I really looked forward to, was receiving the latest list of forthcoming trainer-led courses as I knew there was always something on there that I would really want to attend. This learning was mainly skills based; I remember learning about behaviour quartiles, dealing with difficult customers and how to smile on the telephone to name but a few. To supplement that, we also had a great learning library full of books and videos to borrow as and when we wanted. My favourites were a series of 'John Cleese Customer Service' videos that I would love to see again.

Training back then was constant; it wasn't a 'nice to have' nor was it a 'minimum viable product', it was seen as something that was essential for success. As you looked to move up to a supervisory role, you would need to not only demonstrate that you had knowledge of the tasks being undertaken by those you oversaw but also you had completed a list of management skills training. As such, your potential was normally identified many months ahead of a role becoming available. You were often encouraged to take on some mentoring responsibilities first to give you the opportunity to put into practise some of the skills you had learned without having the associated responsibility of leading a full team. As such you knew about the importance of taking care of people's hygiene factors, you knew how to build a 'goodwill bank' with your team and you understood the importance of continuous performance management as opposed to it being a tool to manage someone who is underperforming. And then there were the Sales Managers; to be a Sales Manager, you also had to demonstrate success in the role and often had to be a top performer before being considered.

Fast forward to today and now we are asked to estimate the 'value' that will be delivered prior to being given the green light to proceed with designing a training programme. The process to estimate the value is not a lot different to calculating a Return on Investment (ROI) but of course, you have no tangible outcome evidence to work with. As we need data to calculate Level Three ROI, this typically means we can only estimate the instantly received value of Level One or Level Two in old ROI language. But there is a problem here; skills take time to develop. As I've said in previous articles, skills are not learnt overnight. You can learn the theory of a new skill in a few hours but to master it takes time and practise and this means that it is difficult to demonstrate the instant value of a skills course.

Now, you may expect me to continue by saying that this is preventing many organisations from staging skills courses, but this wouldn't be the case. Thankfully many are still delivering regular sessions, albeit much reduced from my carefree days. The problem here seems to lie with the individual. Whilst I saw those skills courses as my passport to fulfilling my career, many today seem to only want to learn skills they can utilise in their current role. They seem unable to see the value of attending a session that teaches them about something they may or may not use in the future. As such, we often find individuals appointed into roles with little or no supervisory knowledge or experience. And whilst they can learn it on -the-job, as such, I believe there is a hidden cost of doing it this way around on a person's wellbeing.

Organisations today have ever expanding departments spending growing budgets on taking care of their staff's wellbeing. Amongst other things, they frequently offer great sources of support for employees experiencing their own version of the effects of stress. Whilst not all stress is directly task related, the reaction of an inexperienced line manager is likely to become detrimental if not handled appropriately. We hear time and time again in exit interviews that employees loved the work, but their line manager was the problem. They report feeling unsupported, not listened to, not developed, not appreciated…the list is endless, but the point is much of what is reported could have been tackled at an early stage if the line manager had had the skills and knowledge to do so. Not forgetting that the journey to making the decision to leave is often a long one; the road often involves conflict, unpleasantness and gossip, all of which unsettles the rest of the team and leads to a downturn in output. If the team are client facing, the impact can be far greater.

We must find a way of convincing the next generation of consultants that training *is* still essential and linking it to wellbeing may be the way forward. Maybe for this generation it is not about the value you obtain from being ready to climb the career ladder whenever an opportunity presents itself, but more about the work experience you create and the impact you can have on yours and other people's wellbeing along the way.

Maybe the way to sell training these days is on the *experience* they can create by having the knowledge and skills and not what you can personally achieve – food for thought.

Data Day: how to get your message across when you using data heavy presentations, live or online

By Phil Ingle from Phil Ingle Associates

> "The clearer you are about what outcome you want to achieve, the easier it is to collate and present your data to build towards that

There is no shortage of data in financial services. Yet there may be a shortage of understanding, appreciation and meaning when using it. If your role involves telling people what is going on by using words and figures, you need to be able to not only provide information, but help others to receive it, and understand the underlying message you wish them to take away.

Having seen thousands of presentations in my career, and run hundreds of sessions on presentation skills, here are some essential tips and to help you use your data to achieve what it needs to: and avoid 'Death by PowerPoint.'

1. Think Covey: "Begin with the end in mind". The second habit from Stephen Covey's famous 'The Seven Habits of Highly Effective People' provides a useful starting point for preparing your presentation. Before you reach for slides or the vast amounts of data at your disposal, ask what it is you want your audience to do as result of your presentation. The impact your data will have is not what happens during your presentation, but what happens after they leave the room or leave an online presentation. The clearer you are about what outcome you want to achieve, the easier it is to collate and present your data to build towards that. Besides Covey, three other 'C's' give you a purpose for using data – Comprehension (so people achieve a common understanding), Capability (so they can do something, or do something different), and Commitment (so something happens as result). For some presentations you need to hit all these three C's.
2. Think Sinek: "Start with Why" - introduce your presentation with some great reasons why your audience should want to see your data, why they should listen to your messages which surround and support it, and how they will be better off as a result. Anyone can present data, but the meaning attached to it is where the interest and engagement come from. Build engagement in your audience from the very start – Simon Sinek's "Start with Why" provides a template here: your data may tell the what and how, but position these with the Why up front, and maybe reiterate that when you reach each main point.
3. Who is your target audience? You will probably not present your information to everyone, or even everyone in an organisation. Consider who will be receiving your data, what their existing knowledge and experience is, and (back to Point number 1) what you want them to be able to do afterwards. supporting it with a mass of data.

The more precisely you target, the easier it is to tailor your message – and your use of data.

4. How long have you – and they – got? Abandon any thoughts of X slides per minute, or similar ‘rules’. The time question here relates to whether you have enough time for your message, and if not whether you seek more. Such a request may be unusual and not that welcome – the alternative being to fit your message and its supporting information into the time available. If time *really* is of the essence, less data may be more - as in more message.
5. Where am I presenting this? Online for many is the ‘norm’, and Zoom, Teams et al make it easy to share data. Making your mouse into a laser pointer could help highlight detail but use selectively to avoid unwanted distraction. When presenting live, some rooms and their expensive LCD screens may constrain where the slides are seen – in which case your flexibility as presenter requires you to move from one slide to another if you want to focus on specific points or areas of a slide. Crossing the screen is seen by some as a sin: yet failing to move with your message is missing opportunities to draw attention to the detail. Standing in front of your screen for a extended period remains ineffective though.
6. The message not the slides; each slide should convey a message or part of an overall message. The number of slides is irrelevant: what people remember is the impact on them. If using text alongside you data selectively animate it so people read the message step by step – unless you want to read it all at once, and possibly ahead of you talking about it.
7. Focus audience attention with TTT. This tool enables you to draw attention to specific elements while building engagement. When presenting live, Touch a part of the screen gently to the point you want your audience to focus on, Turn back them and only then start to Talk. TTT ensures you avoid using your slides as a script and talking to the screen. Online this can be adapted to highlighting with the mouse pointer or highlighting tool before adding your verbal message.
8. Build engagement: tell them what’s coming. You do not always have to show your data to generate engagement. Telling people what your next slide is about, and what to look for before displaying it, enables them to focus on the point you want to make as soon as they see the slide – and not to look at it all and wait for your guidance. If you Alert them to what’s coming, Instruct them what too look for, Display the slide, and then Shut Up, you have used the visual AIDS tool to good effect. Use selectively on important data sets for maximum effect.
9. Where’s the lightbulb? Not all data will be equal, even if created equally. Your job when presenting data is to manage your audiences’ outcomes through the information you present. In every presentation there will be one or two (I suggest maximum three) main points you will want people to retain: shape your data presentation around those. If aiming for Comprehension (Point 1 again), enabling your audience to experience a lightbulb moment could be the takeaway you and they are looking for.
10. Do I really need this slide? One for the preparation stage. Once your presentation is complete and ready to go, give it a quick review, asking whether you really need this slide. This will help in two ways: firstly by removing superfluous content, and secondly, should you planned timescale be reduced, you will know what you can readily cut out. Prepare your reactive thinking in advance!

You will have experienced many presentations and forgotten most of them. In financial services much of the message will come with words and figures which, despite the range of colours, templates, and whizzy graphics, can combine into one amorphous blur.

Your mission is to bring clarity of message, even when supporting it with a mass of data

What are the barriers to providing a pension dashboard service?

Henry Tapper

Chair, Age Wage

> The VFM framework makes clear that the Government intends to take a much more pro-active role

The DWP's consultation on measures for a new value for money framework, which closed on March 27th, sets out three tests for workplace and legacy pensions based on net performance, quality of services and costs and charges.

While the scope of phase one of the VFM framework does not include retirement wealth accumulating outside the workplace or retirement income from pension pots, it has potentially profound implications for retail advisers managing retirement plans for their clients.

The DWP's intention is to produce a consultation response in June or July with a view to introducing primary legislation in a pensions bill later this year. The DWP has said it consider the VFM framework a high priority item and, subject to their being parliamentary time, it is intended to become part of pensions legislation in this parliamentary term.

The likelihood of the Government succeeding in its aim, are thought higher as the framework has had substantial input from both the Pensions Regulator and the FCA. The consultation makes numerous references to the consumer duty and much of it relates to governance of products and services, price and value, consumer understanding, and consumer support.

The three tests of VFM

The current system of VFM assessment rests with IGCs and GAAs who report through Chair Reports and Occupational Trustees who produce Chair statements (confusingly on value for "members"). The intention is to harmonise reporting around three Government certified tests with thresholds that are created around quantitative benchmarks.

These tests will be based on how schemes have delivered positive outcomes through performance, net of cost and charges and the quality of services that members pay for within a scheme.

The intention is that the emphasis in scheme appraisal which is currently biased towards measurement of price, shifts to a measurement of value. This is because Government believes that over-emphasis on cost is stifling innovation in terms of the diversification of investments beyond quoted markets and the use of capital productively.

The impact of cost and charges is experienced through net performance so there has been some pressure to drop the cost and charges test altogether. However, the DWP are looking to use the analysis of the AMC to help trustees and employers understand what is going towards investment and what to "services". A transparent statement of the investment charge allows for service to be measured against cost.

The tests will result in three "RAGs", traffic light estimates of whether schemes are fit for purpose, in need of improvement or failing the consumer. If they are seen as failing, they will be given limited opportunity to right matters before being required to consolidate with successful schemes – typically master trusts.

Interaction with Consumer Duty

Advisers should be aware of the VFM framework because

1. It suggests a way for them to measure their performance, relative to cost and services provided
2. It offers a means to benchmark performance, costs and services to workplace pension
3. It offers an opportunity to advise employers and trustees, reviewing and changing the schemes they run and participate in.

The VFM framework makes clear that the Government intends to take a much more pro-active role in setting standards and ensuring that those standards are met and this is in line with what advisers see happening with the consumer duty. The quantitative measurement of services against a charge, using a RAG might well be a measure chosen by an adviser. While what the tests for quality of services have yet to be determined, it's clear they will be based on quantitative measures such as trust pilot or independently assessed net promoter scores, the use of member services on offer and evidence that when used, these services are effective.

Similarly, performance will focus on hard backward looking analysis of how savers have done and where forward looking measures are used, they are not the main basis of assessment. This is in line with how value is being measured in a key comparator- Australia, which is seen to have a more mature system of retirement saving and more robust regulation of providers.

While advisers may see the VFM framework as a threat to how they do things today, they should be aware that it represents a useful template for what they do tomorrow.

A benchmark for the quality of services provided by an adviser

Although wealth management will not form part of the VFM framework today, it is likely to impact advice on combining pensions. For instance, the transfer of a pot from a scheme that is scoring green on a VFM RAG, will need to be evidenced it is in the client's interest than under the current VFM regimes.

Advisers may find their recommendations to consolidate challenged by both schemes and regulators.

This is likely to put a focus on the value assessments carried out on wealth management arrangements managed by advisers which will need to reference the framework's measures if not adopt them.

The opportunity to fulfil the Consumer Duty

Beyond strict compliance considerations, the framework offers an opportunity which results from the disruption it will bring to the fastest growing part of the private savings market, that operating through the workplace under auto-enrolment.

The framework creates a detailed fact-find on the workplace pension employers are using and, where an adviser has a relationship with an employer's management or its trustees, this fact-find is an advisory opportunity. The detailed analysis of performance and services, the disclosure of the apportionment of costs and the breakdown and comparison of the quality of services, will need advisory assistance. Where RAGs are being returned orange or red, the onus will be on employers and trustees to take action. Employers are unlikely to want to make changes that impact both their staff and often their own finances, without taking advice.

Supporting vulnerable consumers in Financial Services: The role of identifying needs and providing appropriate products and services

By Michelle Hoskin from Standards International

It is safe to say that with all the inevitable backlash of Covid and the world we now live in, vulnerability is not only a critical issue in financial services but also in everyday life. Vulnerability arises when a person is unable to access the products, services, and support they need to provide, obtain, and secure some of the basic things necessary to function.

As you would expect, vulnerable consumers may be more susceptible to becoming victims of financial harm such as fraud, scams, and abuse, which may result in poor decision-making.

Given their role and the perfect positioning to get closer to consumers in general, it is essential that financial services organisations understand the key part they can play and how to support those who are most at risk.

Now I do appreciate that support is a HUGE word and can take many forms, but here are just three areas to consider:

1. How would you identify from the outset if the person, consumer, or client is vulnerable in any way?
2. How could you support them and not add to their vulnerability while they are in your care?
3. How could you help signpost them to additional support they may need after you have delivered your initial products and/or services to them?

In this blog post, we will discuss the role of financial services in supporting vulnerable consumers.

One of the most important ways financial services organisations can support vulnerable consumers is by identifying and assessing their needs fully, not just in relation to the products and services that they provide.

The new ISO standard, ISO 22458 The Vulnerability Standard of Excellence™, helps you do this at a more advanced level than the current FCA regulations on Consumer Duty.

One of the key requirements of the standard is to conduct a vulnerability assessment to identify individuals who may be considered vulnerable for any reason over any given time frame.

Once the risks have been assessed and the vulnerabilities have been identified, financial services organisations are then perfectly equipped with the understanding and the framework to respond to these deeper needs and, where needed, establish, embed, and elevate their current and new working practices accordingly.

This includes how your prospects and clients:

- Find and access your business
- Interact with your team
- Receive and then understand the information that you are sharing with them
- Are understood so that you can accommodate any of their special considerations

And probably the most important one for me is...

- Are supported so that their vulnerabilities are not exacerbated through their dealings with you!

In addition to providing appropriate products and services, businesses should also provide additional support and assistance to vulnerable consumers. This includes having dedicated customer support teams or dedicated vulnerability specialists who are trained to work with vulnerable consumers and having processes in place to provide extra support and assistance as and when needed.

Effective communication is also crucial in supporting vulnerable consumers. Businesses must ensure that they are communicating with vulnerable consumers in a way that is easy for them to understand and that is tailored to their specific needs. This can include providing translated materials or offering communication methods that are accessible to consumers with disabilities or those who are being prevented from doing so.

Creating a culture of inclusion and diversity is also vital in supporting vulnerable consumers. Businesses should ensure that their employees are aware of and sensitive to the needs of vulnerable consumers and actively engage with diverse communities. Additionally, organisations should have processes in place to monitor and evaluate their efforts to support vulnerable consumers, and make adjustments as necessary.

Finally, involving and engaging with relevant stakeholders such as regulators, consumer advocacy groups, and other businesses that support vulnerable consumers can be very helpful in understanding the specific needs and concerns of vulnerable consumers and developing effective strategies to address them.

The role of financial services organisations in supporting vulnerable consumers is crucial in providing fair and appropriate service and protecting them from financial and economic harm. By identifying and assessing their needs, providing appropriate products and services, offering additional support and assistance, having effective communication, creating a culture of inclusion and diversity, involving and engaging with relevant stakeholders, and having processes in place to monitor and evaluate their efforts, financial services organisations are perfectly placed to effectively support vulnerable consumers and help ensure that they have access to the life and financial services and support they need.

If you really want to make a solid impact in consumer vulnerability and care, then make sure you go into this with a 'no gaps' seal tight approach. ISO 22458, The Vulnerability Standard of Excellence™, will set out exactly what and how to manage this area of consumer duty, and your business will stand out from the rest. Find out more here: ISO 22458

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