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T-C NEWS

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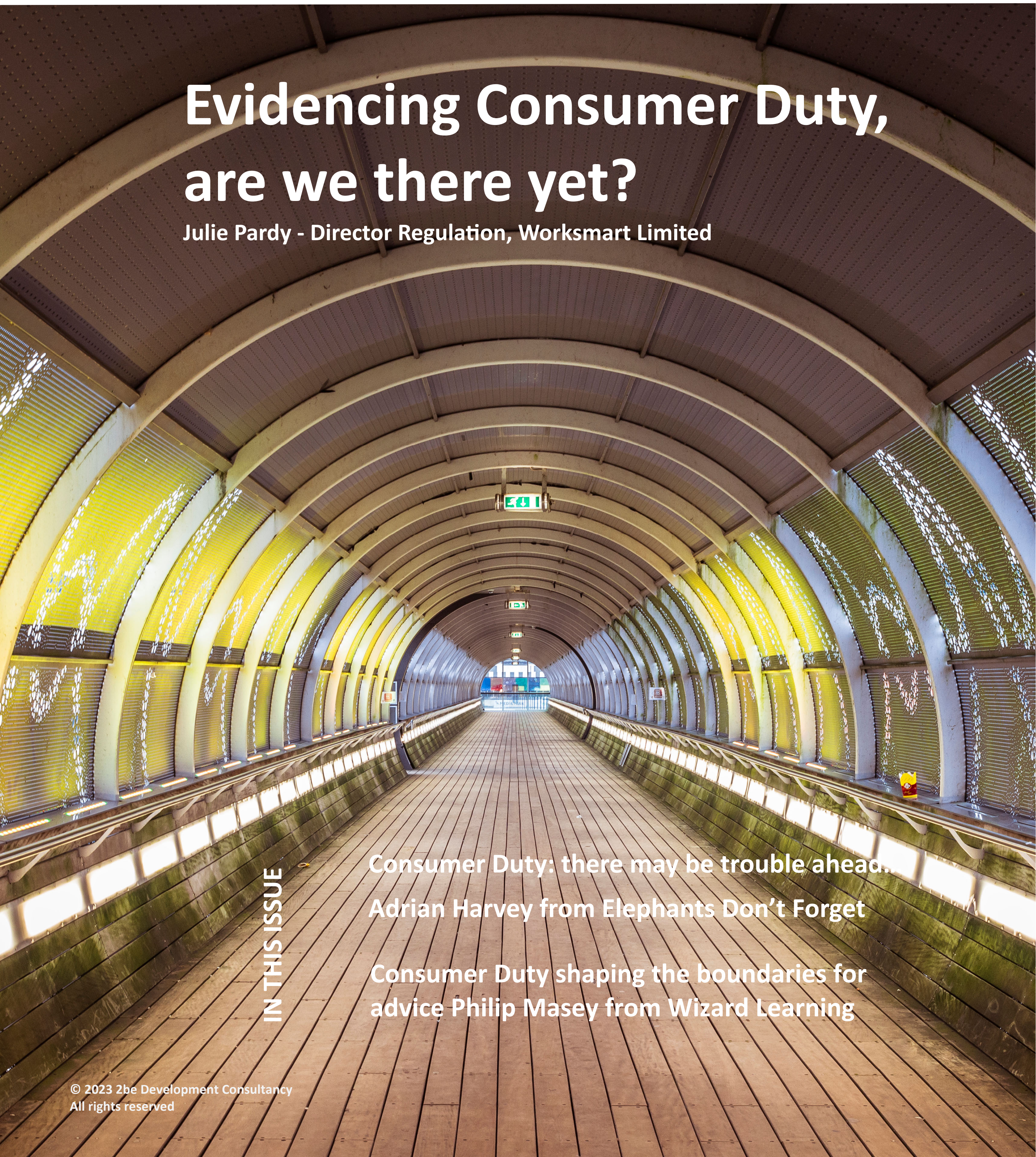
OCTOBER 2023



Evidencing Consumer Duty, are we there yet?

Julie Pardy - Director Regulation, Worksmart Limited

IN THIS ISSUE

Consumer Duty: there may be trouble ahead...
Adrian Harvey from Elephants Don't Forget

Consumer Duty shaping the boundaries for advice Philip Masey from Wizard Learning

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IN THIS ISSUE

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Welcome to the October edition of T-CNews. The new Consumer Duty regulations came into effect on 31 July. You may have thought it safe to turn your attention to the next topic. Reading some of our articles this quarter you may have to think again as our authors warn of some of the clear and present dangers in meeting the needs of the FCA. We are also supported by a great range of other articles designed to keep on top of current developments and industry thinking. Enjoy. Jeff Abbott

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Technical knowledge may not be enough

By Paul Archer from Archer Training

Maybe time to refresh your softer skills

Smack in the middle of COVID-19, as home working became the norm and people sought a sanctuary of garden space, we decided to pop into a garden office showroom near Telford. Beneath the cavernous building, we sheltered from the torrential rain outside. We admired the hundreds of fabricated garden offices spread across the floors.

One of the sales assistants popped her head around the wall of an exceptionally spacious garden office that we liked and asked if we needed any help. Shelley and I had dozens of questions of a technical nature which we fired at the confident young lady.

She answered our questions perfectly. Not a stutter or a pause for thought; she knew the answers to every question we threw at her. Her technical knowledge was to be respected.

"Have I answered all your questions?" she exclaimed. "Yes, thank you so much; you've been most helpful", we replied in unison. We wandered the floor some more, then agreed that we would continue our research online and left to return home.

Nothing weird about the story; it was true. On the drive home, I mentioned to Shelley that the sales assistant didn't do any selling at all. She merely answered our questions. Brilliantly might I add. But no:

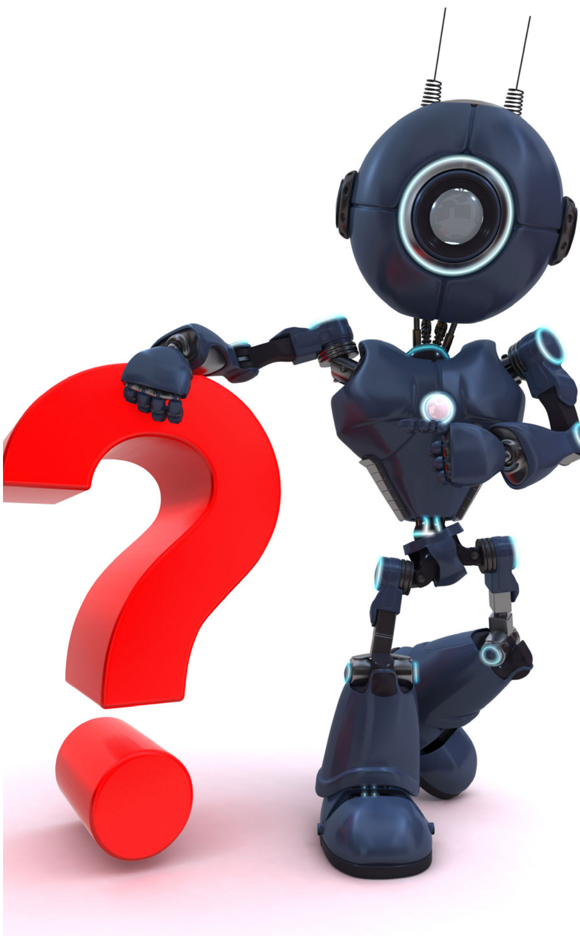
- Qualifying our situation
- Probing to find out more about us
- Seeking a little commitment from us
- Obtaining some form of budget
- Asking what our motivation to buy a garden office was
- Asking how committed we were to buy
- Laying a sense of urgency in our minds.
- Giving a compelling reason to act now in her store.

And she didn't even take down our details, which we would have been glad to provide.

Nothing at all apart from answering our questions.

The parallels for those involved in the mortgage business are pretty stark. Most mortgage brokers and advisers have been order-takers from the back end of 2020 until the tail end of 2022. So much business to be had by all we endeavoured merely to soak up demand and place mortgage cases. It was long, arduous work but rewarding financially and emotionally, helping all those people achieve their dreams and raise finance.

These two years witnessed thousands of people buy home offices for their gardens. Glorified sheds that allowed them to work from home in peace and efficiency. There were just a few places you could buy one within a half-decent time frame, so purveyors didn't have to work too hard. Just take orders from customers. That's probably what motored my sales assistant friend in Telford. She didn't need to work too hard and just hoovered orders.



But times change. Her industry has taken a hammering. Many workers have flocked back to offices driven by varying cultures and demanding bosses. People's challenge with disposable income has threatened any purchase of an expensive home office—an unnecessary luxury.

In the same manner, our sector has changed. We can't survive merely taking orders from mortgage customers or relying on the phone ringing and the email inbox pinging. We will have to start working just a little bit differently. Not harder. Merely peddling faster against the current won't cut it. We have to be more innovative in 2023. We need to learn to sell, which, by the way, is not a dirty word. Sell in Norwegian is selge, meaning "serve a customer" who wants to buy.

No more order taking or simply answering questions from your impressive product knowledge.

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

Consumer Duty: there may be trouble ahead…

By Adrian Harvey from Elephants Don't Forget

Near-record low levels of customer satisfaction indicates trouble ahead for FinServ firms affected by Consumer Duty, as the Financial Conduct Authority's (FCA) Financial Lives Survey also reinforces fundamental service failures across the sector.

In July 2023, a warning bell tolled for the FinServ sector; especially for the majority who are affected by the FCA's Consumer Duty. The Institute of Customer Service published its UK Customer Satisfaction Index (UKCSI), a semi-annual national barometer of the state of UK customer satisfaction. And this year was exceptional – for all the wrong reasons! Customer satisfaction levels have fallen in all 13 sectors and is at its lowest level since 2015.

Coincidentally, whilst I was writing this article, the FCA published a press release highlighting the urgent need for the sector to focus on improving service and satisfaction levels. My conclusion from reading the release was appropriately summarised with this quote from Sheldon Mills, Executive Director, Consumers and Competition at the FCA:

"While there have been positive steps taken, there is still work to do – 4.9 million people who used firm communications to help them make a decision in the 12 months before May 2022 found it did not help at all."

Awkward!

The UKCSI benchmarks customer satisfaction levels across 26 measures, spread across five "dimensions". These dimensions resonate with the intent behind Consumer Duty, particularly "Complaint Handling", "Customer Ethos" and "Ethics". The single biggest faller was in the "Complaint Handling" dimension, and the "Ethics" dimension didn't fare too well either. And consumers who reported to have very poor financial wellbeing scored suppliers the lowest; essentially 'vulnerable customers' as defined by the FCA.

The UKCSI differentiates by sector (13 sectors) but separates out banks and building societies from insurance companies – and perhaps misses a great deal of other sectors in the FinServ market.[1] However, this is not a reason to ignore the data; particularly as the trend is downwards in every sector, and this is absolutely a barometer of the UK customer service standards for all firms. And – in light of the findings published in the FCA's Financial Lives Survey – there is absolutely no room for complacency.

Thinking about Consumer Duty at a principal level, firms must deliver good outcomes to retail customers. They need to act in good faith, avoid foreseeable harm to customers and enable them to achieve their financial objectives. In addition to these cross-cutting rules, there are four outcomes.

- Products & Services
- Price & Value
- Consumer Understanding
- Consumer Support

It could be argued that customer service is at the very heart of Consumer Duty. And much of the criticism contained in the July 2023 UKCSI report focusses on how firms treat customers when things go wrong and how financially disadvantaged customers suffer the most.

"The biggest differences between the top 50 organisations and the rest relate to: satisfaction with complaint handling; price / cost; and a range of emotional and perception measures including an organisation caring about its customers, designing experiences around its customers, trust, reputation, openness and transparency, providing reassurance and keeping promises[2]

Products & Services (1)

If you are impacted by Consumer Duty then reading this should cause some concerns, particularly when considering the four outcomes. If one assumes that outcome (1) is the easiest and least complicated outcome to resolve and that most firms will by now have sanitised their product portfolio, removed unfair products and ensured specific products are related to specific groups of customers.

I refer to this as "desk-based" heavy-lifting, and it will have likely involved consultants or – at the very least – legal advice of some sort. The key point being is that this activity is as close to "fire and forget" that a firm is going to get. Once the work has been done, it is largely done, until new products are launched, or circumstances dictate that a given product is no longer suitable. The other three outcomes are far more complicated by virtue of their dynamic nature and all three relate to customer service to varying degrees.

Price & Value (2)

These are at the heart of the Consumer Duty. Customers want to know they are being charged a fair price and getting a product that meets their needs and adds value. Getting a fair price (even when compared to competitor offerings) for a product that isn't what I need is completely pointless. This relies heavily on the First Line of Defence in your business genuinely being competent in role and understanding what a customer's needs are and being sufficiently confident to speak out when this isn't the case.

Training isn't the answer. Well in and of itself, isn't the answer. Many firms appear to have "trained employees about Consumer Duty", ticked that box – and got on with BAU. The regulation is now less concerned with ticking a training box and is instead completely (and rightly so) fixated on ensuring employees have achieved the required levels of competence and retained it – and employers can evidence this at any time.

It is this "evidencing" aspect that is causing compliance professionals the greatest challenge. Just two months prior to the first implementation deadline of Consumer Duty, we asked two blunt questions to a cross-section of compliance, risk, oversight, T&C and operations professionals with regards to the competence of their people and their ability to evidence this requirement to the FCA.

Out of 246 survey respondents, 67% said that they were only 'somewhat', 'slightly', or 'not confident at all' that their people had the required competence to deliver against Consumer Duty.

84% of them said they were only 'somewhat', 'slightly', or 'not confident at all' that they could evidence to the FCA that their people fully understand their Consumer Duty obligations.[3]

Consumer Understanding (3) (Goes hand-in-hand with Price & Value).

"These disappointing findings highlight there's still a huge gap between the help people need and what they're getting from firms, despite recent efforts to encourage struggling customers to reach out. That includes making it as easy as possible to get in touch through a variety of channels - such as over the phone, online or face-to-face -and making sure that customers who get in touch are met with tangible offers of support."[4]

Whilst the UK Government sets a D&I standard of communication that all Government communications must be understood by a 9-year-old[5], a great many firms fall woefully short of this standard.

Whist (some) firms have done a good job in making their communications transparent and easy to comprehend, many have not. And a great many of the employees interacting with customers – who are asking for help – simply don't know the answers. The data point is that employees know just 54% of what they have been trained, and no employee can act on training received and not learned and retained.[6]

Consumer Support (4)

"The FCA found that just over a third of people believe most financial firms are honest and transparent in the way they treat them. In addition, an estimated 7.4mn people tried, but were unsuccessful, when trying to get in contact with their financial services providers in the 12 months before May 2022. While more than 3mn people who did manage to contact a firm said they could not get the information or support they wanted."[7]

It is pleasing the survey found at least a third of the population viewed the sector as honest and transparent, but the flip side is two-thirds of the UK population believed the sector to be something less than honest and transparent! The fact that more than 7mn people tried to contact their supplier(s) and failed, and then 3mn failed to get the support they needed when they finally made contact is as big a red-flag as possible.

Accessibility is a ground-level requirement but must be aligned to accessing competent employees who can help them with their enquiry. How many times have you connected to an agent only to undergo a patronising, disingenuous conversation, that was of absolutely no help whatsoever and simply burned time from your life that you will never get back?

The UKCSI concluded that, "*From the perspective of customers, the leading priorities for organisations to improve are making it easy to contact the right person to help, employee behaviours and competence, and website navigation."*[8]

> Delivering lowest cost-to-serve training, ticking a box, and using this as proxy evidence of achieved and retained employee competency – and hoping the employee learns on the job – is a recipe for disaster.

Where the rubber hits the road

Where regulated firms are going to fall short of their responsibilities are on these last three outcomes. They all relate to serving the customer – and at the centre of customer service is *competence*. Employees can't hope to provide the levels of customer service and support if they are not competent in-role. This is different to "being trained". The HR Director published an article I wrote for them in July 2023, looking at how failings in the employee T&C process were leading to record levels of employee attrition in the first 180 days of tenure.

The reason(s) employees were leaving during this crucial onboarding phase was that they were reporting that they couldn't do the job they had been hired to do. The levels of strain and anxiety were too great – so they simply bailed out. It wasn't because the job was particularly complicated, rather that the (often theoretical) training they were receiving was failing to translate into in-role, retained competence. As much as 70% of workplace learning comes from learning on the job (through peer-to-peer learning), which had also now been diluted to the point of ineffectiveness by hybrid and remote working changes, post-Covid -19.

One of the many legacies of Covid-19 is that the workplace has changed significantly, and employees' perspectives and learning needs have also changed. This means employers need to change their approach to employee T&C because what is in place usually isn't working. Delivering lowest cost-to-serve training, ticking a box, and using this as proxy evidence of achieved and retained employee competency – and hoping the employee learns on the job – is a recipe for disaster.

Employers, particularly those now trading under Consumer Duty, should be providing employees with individualised learning support. Support that counters the reduction or the near loss of peer-to-peer learning. Support that identifies weakness and helps the employee bridge them. Support that helps employees translate theory into the desired in-role competence and instils essential confidence in employees to go the extra mile, ask the additional questions – oh, and evidences the same for regulatory purposes.

Employers need to embrace continual assessment and deploy AI like Clever Nelly to ensure their employees possess the competence and skill to deliver against Consumer Duty and reverse this steady decline in Customer Service standards. It is no surprise, therefore, to learn that Elephants Don't Forget is statistically disproportionally represented in the Top 50 UKCSI organisations.

1. The UK Customer Satisfaction Index (UKCSI) 13 sectors: Automotive, Finance, Insurance, Leisure, Public services (Local), Public services (National), Retail (Food), Retail (Non-food), Services, Telecommunications, Tourism, Transport and Utilities.
2. https://www.instituteofcustomerservice.com/research-insight/ukcsi/
3. Elephants Don't Forget, *'How to successfully approach Training & Competency (T&C) under Consumer'*, webinar poll, 24 May 2023. 246 professionals polled.
4. https://www.moneyandmentalhealth.org/press-release/money-and-mental-health-response-to-new-fca-financial-lives-survey/
5. https://www.gov.uk/guidance/content-design/writing-for-gov-uk
6. When we initially socialise our AI – Clever Nelly – in firms to assess baseline in-role employee knowledge and competence (i.e., what individuals have learned and retained from their workplace training), the average level of employee in-role knowledge and competence is just 54%, meaning staff often only know – or understand – half of what their employer needs them to know to do their job.
7. *https://www.ftadviser.com/fca/2023/07/26/fca-millions-lack-confidence-in-financial-services-as-consumer-duty-looms/*
8. https://www.instituteofcustomerservice.com/research-insight/ukcsi/

FOS complaints see a worrying uptick

Nick Baxter
Baxters Business Consultants

Only a week ago the Financial Ombudsman Service released its data for the quarter April to June 2023, quarter 1 of the FOS 2023/2024 financial year. New complaints relating to financial products and services totalled 43,953. In the same quarter in the 2022/2023 financial year the figure was 35,029, so the FOS has experienced another post PPI uptick in complaints. That's nearly 9,000 more complaints! The top five complained about products were 1) current accounts, 2) credit cards, 3) car and motorcycle insurance, 4) hire purchase (motor) and 5) buildings insurance.

One of the interesting increases is hire purchase (motor). The increase is not surprising, as the cost-of-living crisis bites more people are reviewing their monthly expenditure, and therefore it is not a shock that the close inspection of their original paperwork is leading to an increase in these complaints. Complaints cover a wide range of issues but generally relate to charges, fees and commission (especially undisclosed commission), and these make up a third of these types of complaints. Undisclosed commission complaints are especially interesting, readers will recall that undisclosed commission ['Plevin complaints'] led to an extended tail of PPI complaints and even saw previously rejected claims being upheld. There is no doubt in my mind that we are on the verge of an explosion of motor hire purchase claims and we are seeing the tip of an iceberg.

We have witnessed the FCA drive to eliminate consumer harm, across all the sectors they regulate, by forcing firms to provide fair value, issue timely and transparent information and appropriately manage conflicts of interest (including commission arrangements) in a steady 'ramping up' of rules to resolve and eradicate unfair relationships. While the car finance sector is coming under the regulatory spotlight in terms of FOS complaints many of the issues in that sector cut across to other financial products.

For example.

Control of sales teams. In the car loan world, the challenge for lender firms, particularly in the control of dealer networks is the oversight of individuals' behaviour in thousands of dealerships across the UK. Against this backdrop, some lender firms take the view that it is sufficient that a finance broker is FCA authorised, and therefore it can be assumed that they will be compliant with FCA rules. This approach simply does not cut it with regulators, in the same way that it doesn't in other lending sectors. Recognise similarities in other product sectors?

Affordability. The FCA makes the point that the complexity of motor finance products can result in consumers not understanding how they work and more of a focus is put on monthly costs rather than the total amount payable. Affordability matters, particularly in a highly targeted sales environment. Again, there is a significant 'bleed across' to other financial products. Unfair relationships. There is often an information asymmetry between the financial service product provider and the consumer. This over many decades has led to significant consumer harm. The car finance sector is now facing this spotlight, but the risk is relevant elsewhere. Poor consideration of individual circumstances. In the same way that a PCP sales process needs to consider individual circumstances sectors need to be cognisant of this requirement too. The lifetime lending industry has just taken a similar FCA hit. During a recent review, the regulator found many examples of firms' poor consideration of individual circumstances (including income and expenditure), dismissing discussions around alternatives, inappropriately incentivising sales, inaccurate and misleading promotions, the highlighting of product benefits without balancing descriptions of risks and inappropriately steering outcomes in favour of lifetime mortgage products. This sector has faced similar criticisms ever since the first home income plans appeared in the 1980s and all subsequent variations of the original products, when will this sector learn?

The message is clear, firms must learn, and they must do more to eliminate consumer harm. It is important that firms consider predictable harms throughout a product lifecycle. Recent Consumer Duty requirements, of course, raise the stakes on these issues as the cross-cutting rules add wider responsibilities onto firms to protect consumers. The financial service world has been in the 'last chance salon' many times before and it looks to me like it is back there again. Only time will tell if Consumer Duty changes will fix the systemic issues – we all need to make sure it does!

Nick Baxter is a Partner with Baxters Business Consultants. Baxters Business Consultants is a business consultancy offering training, marketing and expert witness services within the lending industry

Why professional development in financial services is vital

Michelle Hoskin, CEO and Founder from Standards International

Ah, the worlds of regulatory learning and professional development—both vital, yet profoundly distinct, for individuals and businesses in financial services. Imagine a ship sailing through turbulent waters; regulatory learning is your compass and map, setting your course and ensuring you don't veer off into dangerous territory. It's about ticking those obligatory boxes, but crucially, it's about meeting industry standards. In the UK, you've got the Chartered Insurance Institute (CII) and the Chartered Institute for Securities & Investment (CISI), bestowing a form of educational rigour that's mandated and underpinned by years of tradition. This is non-negotiable knowledge, the nitty-gritty stuff you absolutely must know for sure!

But, oh, what a world awaits beyond mere regulatory learning! Professional development is the wind in your sails, the elemental force that propels you forward with renewed vigour. It's not about the minimum requirements; it's about striving for excellence, for mastery, for the pure joy of being the absolute best at what you do. Whether it's a nuanced understanding of investment theory or the soft skills that turn a one-off client into a lifelong relationship, professional development stretches you beyond your boundaries. It fosters a culture of lifelong learning, inspiring your team to higher and higher peaks of achievement.

Why is all of this important? Because at the end of the day, financial services is about trust. Your clients need to see that indefinable 'something' in you—a cocktail of knowledge, empathy, and capability that assures them, "You are in safe hands." Professional development provides the ingredients for that trust.

For businesses, professional development can feel like an elixir, transforming the merely competent into the truly extraordinary. It can often feel like a sea of certifications at times too, with everyone popping up with certificates in different things – where to start? What is meaningful? In a world marked by volatility, International and British Standards serve as the bedrock of quality and consistency. British standards like BS 8577 and BS 8453, and International Standards like ISO 22222, ISO 45003 and ISO 22458, aren't just pieces of paper; they're powerful testaments to your commitment to excellence. These are the shields that protect both your firm and your clients, ensuring that you're operating at peak levels of ethical behaviour, compliance, and operational efficiency. Each thread strengthens your relationships with clients, fortifies your reputation in the industry, and amplifies your efficacy. When you adopt these standards, you're sending a resounding message to the world: you're committed to being the best in class, the gold standard of financial planning and services. It's akin to hoisting your flag on the pinnacle of excellence, and

saying, "We've arrived, and we're here to set the benchmark."
Consultation is another sphere that's often undervalued but offers immeasurable returns. To consult with experts means to engage in a dialogue with wisdom, to see your industry through a lens polished by years of experience. It's not just a transfer of knowledge but a confluence of perspectives that leaves you invigorated, empowered, and ever so slightly transformed.

At Standards International, our Evolution of Excellence concept has seen many businesses go through year-on-year assessments, working with consultants and taking part in audits to ensure they are continuously evolving and growing for the better – since the landscape of financial services is forever changing, our firms are staying at the top of their game with a consistent approach.

By taking your business and the people in it on a professional development journey, it takes you into realms you never thought possible, urging you to explore, innovate, and ultimately, redefine the very boundaries of what's possible in financial services and that for me it's true excellence!

So with that in mind, here are our top tips when choosing the right personal development path

1. Personal Alignment: What truly drives you? Ponder your core values and the aspects of financial services that genuinely excite you. Whether it's the ever-changing landscape of FinTech, the intricacies of risk assessment, or the satisfaction of helping clients achieve financial freedom, your personal development should align with what truly moves your spirit.
2. Industry Relevance: We're in a time where regulations and trends are evolving at an almost breakneck speed. Aiming for British and International certifications like BS 8577 or ISO 22222 can fortify your credibility and keep you ahead of the curve. These certifications have been curated over the years by experts and are Internationally recognised. So it's crucial to select programmes or courses that are recognised for their rigour and relevance. The last thing you want is to invest your time, money, and soul into something that becomes obsolete overnight.
3. Skill Gaps: Be brutally honest with yourself. Where do you feel less confident? Is it in understanding complex compliance requirements, or could you better manage stress and work-life balance? Opt for courses or certifications that address these gaps head-on. Be it a compliance framework like BS 8453 or a well-being standard like ISO 45003, your choices should help you become not just a better professional but a more balanced human being.
4. Networking Opportunities: Never underestimate the power of connections. Attend webinars, or training programmes that offer you the chance to meet industry leaders, mentors, or even your next business partner. You're not just collecting certificates; you're building relationships that can shape your destiny in incredible ways.
5. Long-term Vision: Lastly, always keep one eye on the horizon. Where do you see yourself five or ten years down the line? Do you envision leading a team, running your own financial consultancy, or becoming a specialist in a particular area like financial abuse or vulnerability? Your personal development should be a stepping stone toward that bigger picture, the dream that keeps you awake at night with excitement and anticipation.

Remember, it's your journey, and every decision you make echoes in the corridors of your future. Choose with both your head and your heart, and you won't just find success—you'll find fulfilment.

So, as you venture forth, set out to embrace both. Let regulatory learning be your steadfast foundation, and let professional development be the boundless sky above you. In the harmonious dance between the two, you'll find not just success, but deep, soul-stirring fulfilment.

> " For businesses, professional development can feel like an elixir, transforming the merely competent into the truly extraordinary.

Why we should all start learning from complaints

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

> Identifying not just who is complaining but rather who is not complaining is an important step

A quick look at our e-learning course data on The Development Zone shows that 'Complaints Handling and the FCA' was our most accessed course in August and it regularly finds itself in our top 5 courses.

Complaints about a product or service are inevitable no matter what your line of business is, and the FCA is right to focus on how regulated firms manage their complaints, so I can understand why it is such a popular topic. Yet I do question how many firms put their staff through complaints handling training as a means to avoid falling foul of the regulator, rather than to proactively look at how we can learn from customer complaints and use this to improve how service can be delivered, a much more positive approach.

The cost-of-living crisis, Consumer Duty and fair value is still having an impact on the insurance consumer, and insurance is still one of the most complained about products to the Financial Ombudsman Service. *

It doesn't always help that we regularly hear a focus on reporting the number of complaints rather than the outcomes of managing complaints, which is why it is so important that regulated firms take a more holistic approach to how they identify appropriate learning needs, and then train their staff to improve their complaints recognition and handling skills rather than how to simply avoid falling foul of the rulebook.

There may be a number of reasons that a consumer might complain about an insurance product or service:

- The consumer did not have the cover they expected when they bought the policy.
- The consumer has not had the levels of service that they expect when it comes to making a claim.
- The consumer did not understand the policy that they were buying, particularly the exclusions.
- The consumer is not happy with a renewal quote or the addition of new fees.

When we consult with firms from either a compliance or training and competency point of view, we recommend and support their staff to help them use complaints and the data collected as a means to look for trends, to increase their levels of training, and to identify gaps in their processes and procedures which can all be improved to make the customer journey better, which benefits everyone in the distribution chain. Training departments and learning & development managers can really get involved here to drive positive change within their organisations.

Regardless of the complaint itself, there is often behind it a customer who is in difficulty, may be experiencing vulnerability and who is likely to be experiencing a heightened state of emotion, and it needs the care of a member of your staff who has the necessary knowledge and soft skills to manage the situation calmly.

Complaints are a form of feedback, which can be used to assess outcomes, the main theme of the Consumer Duty, and they can present your business with an opportunity to identify common and unusual root causes that you can positively change, making sure that other customers don't have the same negative experience in the future.

Complaints can even highlight issues and errors in your processes that you have not yet identified yourselves, and some of these could be very easily rectified.

Not every complainant does it to search for compensation. It can be a genuine response to highlight and feedback dissatisfaction so that it doesn't happen again. Where you learn from those complaints and make positive changes, make sure that you let the complainant know what you have done and the improvements that you have made.

If a customer can see that you have been supportive, have listened and have tried to support their complaint, then even with a negative outcome they will remember the service and transparency that you provided. This might be enough to keep them from moving to a competitor, and they may also talk about you positively to other people, leading to new business enquiries.

Dealing with complaints can be challenging. It requires good listening skills, and the ability to empathise with the complainant and to manage their expectations when the news that you are delivering is not always what they want to hear. It's important that you create an organisational culture that doesn't necessarily embrace complaints, but that makes it safe for customers to complain and for your staff to not see a complaint as something threatening and soul destroying.

Being open and transparent with your customers shows that you take them seriously and it highlights a commitment to fairness and improving service that they will value.

The insurance sector has done a lot of work shifting the nature of complaints from a culture of blame and simple data recording to a culture of learning, and more can still be done to share and talk about where things are going wrong for consumers.

Not everyone is comfortable complaining, and there is a large cross-section of the consumer market whose voices are not being heard because they do not want to or do not have the ability to speak up, they may not want to create a fuss, or they may lack the confidence to complain about financial services products and services due to a lack of understanding or knowledge.

Identifying not just who is complaining but rather who is not complaining is an important step that I would urge all firms to start considering.

Dealing with complaints effectively, making improvements, and learning from what went wrong is essential for any growing business. It leads to reduced costs and increased customer satisfaction. Fewer complaints can help to demonstrate positive results across all the four required outcomes of the Consumer Duty, particularly if you categorise your complaints properly.

Keep the customers that you have, and they will no doubt attract more for you. There is a lot that we can learn from that.

* Source: https://www.financial-ombudsman.org.uk/data-insight/annual-complaints-data/annual-complaints-data-insight-202223

Boost recruitment, retention and development through training

By Chris Tynemouth from the Credit Services Association (CSA)

Here at the Credit Services Association (CSA) we have always been committed to supporting our members and their workforce with their training and development needs. In our role as the only trade association in the UK for the debt collection and debt purchase industry, we understand the importance to our members of ensuring that their staff are kept up-to-date and possess the relevant skills to operate effectively in what is a challenging and ever-evolving sector.

Part of the CSA's strategy to meet these needs saw the launch in 2022 on the Collections Learning Initiative (CLI), an online platform intended to offer a flexible and convenient training product to contribute towards a workforce's understanding of key areas and topics within the industry.

LinkedIn's *2023 Workplace Learning Report – Building the Agile Future* shows that 41% of Learning & Development (L&D) leaders expected that they would have more spending power in 2023, illustrating the desire and emphasis being placed on training staff within firms. Not only does this reflect the aim of maintaining a workforce equipped with the necessary and up-to-date skills required to perform at the highest level, but it is also likely to be a response to the challenges now facing employers from a recruitment and retention standpoint (the same report states that 93% of respondents are concerned about the latter).

The CLI is designed in part to address these concerns, and enables employers to enrol their staff on the module(s) of their choosing, each of which has a specific learning aim that enables the employer to take a flexible approach to their staff training and development. Each module takes approximately 60 minutes for the learner to work through and progress can be saved and continued later, meaning that modules are in a manageable format and can be completed without requiring a significant time commitment.

The *CIPD Learning at Work 2023* report includes a look at the top 'people priorities' facing L&D professionals with 'improving staff retention' coming top of the list, with 'succession planning' in third place. These two priorities reflect the desire of firms to build and maintain a resilient workforce with an eye on the long-term through developing and nurturing committed and engaged employees.

An effective way of developing these qualities is through investing in relevant training to act as both a means to maintain up-to-date knowledge and to also provide a potential career progression pathway within a firm for an employee.

The CLI's flexible module-based format enables it to be used in a number of ways by employers; it can be used as a resource to introduce new staff to the business and the industry, but it can also introduce existing employees to new areas and topics in order to encourage personal development.

> "41% of Learning & Development (L&D) leaders expected that they would have more spending power in 2023

The LinkedIn report also highlights the importance to workers of the opportunity to learn and develop new skills, which in turn can lead to 'internal mobility' – or the movement of employees into new positions and/or promotions within their existing organization – and increases staff retention: "Helping people make an internal move boosts retention. And by expanding people's networks and skills, internal mobility naturally creates more organisational agility."

Upon launch of the CLI, CSA CEO Chris Leslie said: "Keeping teams up to date with the latest training and regulations isn't always simple, so we've developed these bite-sized and easily accessible online modules to ensure firms across our sector have access to new skills at their fingertips."

A new CLI module – Managing Compliance – has just been launched and will be followed by additional content as we head into 2024.

The CSA is ideally placed to offer specialist training to both member and non-member firms in the areas of credit, collections, compliance, counter-fraud, and debt advice. In addition to the CLI, the long-running Collector Accreditation Initiative (CAI) allows companies to assess their staff's knowledge and scope of understanding of compliance, enabling firms to mitigate regulatory risks and uphold the highest standards of the CSA Code of Practice. The CAI is regularly updated to ensure that the content is relevant and reflective of the needs of those working in a role of a professional collector within the industry.

The CSA is also an approved apprenticeship training provider (with a 'good' Ofsted rating) and uses its specialist expertise in regulatory compliance, risk, counter fraud and debt advice services to enable employers large and small from the public and private sectors to up-skill or re-skill existing or new employees.

To learn more about how the CSA can help with your training needs via our CSA Learning website at: www.csa-uk.com/csa-learning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Traits of a self-directed learner

By Paul Archer from Archer Training

What do Bill Gates, Mark Zuckerberg, and I have in common?

We're all self-directed learners. I've proudly been a self-directed learner since 1994, when I realised that no employer of mine was ever going to provide me with the training and development that I needed to make a success of my fledgeling career. After thirty years of self-directed learning, I feel I've succeeded in evolving myself for the future and have done so through self-employment, where I didn't officially have a training budget.

It's worked for me and will work for all future learners in the workplace; gone are the days when students gorged on company training programmes. The future is for those that make it happen.

Here are ten traits you need to master to become a self-directed learner in no particular order.

1. Initiative

The first trait is initiative. If your learner has set themselves a goal to learn something, they have the ambition and capability to find suitable learning. They are adept at searching the internet for reading materials as well as audio and video and can also venture offline as well. They seem to find what they're looking for. Care your "Great Wall of China" doesn't block anything of use value – most corporate IT departments block useful sites because they don't trust people.

2. Independence

Independence comes next. With their learning goals in tow, self-directed learners don't need permission to learn; they feel empowered to do so. Some companies even provide a budget to further their independence. My employed position in 1997 awarded me a training budget of £1,000 a year, and I was trusted and empowered to use this to buy training. I used it to part-fund my early NLP training.

3. Network

They network well. Possibly members of various associations and unions that provide relevant learning and development. Networking with fellow members and others offers ample learning opportunities, sometimes over a coffee or fireside chat. Learning doesn't have to be formal. My best ideas and insights have come from random discussions with people in my network. My superior education events have come from membership in three associations – PSA, SPA and AAISP. Google them.

4. Responsibility

They embrace responsibility for their learning. The buck stops with them; no one else will help them develop; it's something they're accountable for.

5. Plan Own Development

Self-directed learners plan their own development time. I devote a day a week to personal development, not every week, but on average. Only with this amount of time investment can I achieve my learning goals.

6. Curious
They're curious to learn things. A goal can lead anywhere. In 2012, I committed to mastering how to create videos for my business, and boy was this a giant learning curve for me. Seven years later, I'm producing some half-decent videos, but my curiosity took me to other areas beyond video production.
I'm currently exploring and using live streaming, so my video work streams live to YouTube and Vimeo. My curiosity also took me to Research and Development grants and tax advantages, which saved me a packet over the years.
7. Learning As You Go
Self-learners don't mind starting something at 80% ready. Too many people start projects or activities when they believe they are 100% prepared to go. Self-learners believe in learning as you go, and this often requires that you create something and learn/improve as you progress. That's the modern way. I watch some of my early incarnations of videos that are still on YouTube compared to my current videos, which are pretty awful. But they were new and exciting at the time and achieved my objectives.
8. Aware of Learning Style
Self-directed learners are good at erudition and can adopt basic study skills. I'm aware of my learning style acutely. I know that reading works for me, and listening to podcasts allows me to learn where I want. I know I have to make notes when I learn; I use mindmaps (a technique I learned in the nineties by reading some books).
I work well at conferences and can listen to an outstanding speaker for hours. Incidentally, I don't do group learning activities – that's not my cup of tea. I'm very aware of how I learn.
9. Unlearning
Self-directed learners understand the unlearning process. When you learn something new, you have to unlearn the old first. Otherwise, you're just piling on new on top of ageing, and you will struggle to see new ideas and innovations. Before you decide to learn something new, you unlearn the old.
For example, when I was learning about trainer video, I had to unlearn all the presentation skills I learnt when performing in front of a group – interaction, questioning, eye contact, movement, and gestures. Suppose I do these things when videoed; it'll all go wrong. On video, you look at the lens, keep your gestures minimal, preferably nil and maximise your facial expressions and voice.
10. They Enjoy Learning
Finally, I enjoy learning. It can be hard work, tiring and prone to errors and mistakes, but this gives me the benefits I seek. There's always a point, a scary moment when you don't understand what it is you're learning. This can cause stress, and you feel vulnerable. You have to drive yourself through this because, with a tenacious attitude, you will understand it.
With your people committed to self-directing and controlling their learning, the next step is to re-organise your learning and development offering to fit this learner. That'll come later once you've first influenced the culture of your workforce.

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

> "gone are the days when students gorged on company training programmes.

The importance of psychological safety for the neurodiverse

By Jane Pitt from RedTree Training

Think back to when you were learning to drive. I know, I know for some of us that is a while ago, so if you are at that age, it may be easier to think instead about teaching a younger person to drive. We've been doing this recently with our eldest son. I say we, in reality, my husband has been the one willing to sit in the passenger seat whilst I act as the silent observer or coach.

After six months of weekly (expensive two-hour) lessons, we found ourselves stuck in a negative spiral. Each week, he would come back from his driving lesson increasingly despondent and recounting only the things he had got wrong. His instructor took to writing everything down and encouraging him to take a photo of the assessment so he could review his mistakes. As many parents will admit, at first, we would say that it was just a bad week, then we started to rationalise the mistakes offering solutions, to eventually, jumping in the car and driving him along the route so we could demonstrate how things should be done and he could try it at his next lesson.

Sadly, none of it worked and as his instructor got more infuriated with him, so did his graphic descriptions of the damage he was going to do to other road users. To stop him from throwing in the towel, we chose to step in. But this wasn't the first time we'd had to take over as you see, our son is neurodiverse.

Neurodiverse is a word that appears to be taking a leading role of late in the corporate world. You may hear it explained by the conditions it captures, which include ADHD, Autism and Dyslexia to name a few of the well-known ones, but I prefer the wider description of using it to refer to anyone who's brain works a little differently to the perceived norm. It is great to see the big organisations recognising that by making small adjustments to their workplaces, they can gain access to an untapped pool of talent with some outstanding capabilities. But our son, like so many others in this community, do not just need adjustments to the fixtures and fittings to achieve and thrive; they need a psychologically safe environment to work in.

Another current corporate buzz term which is defined as 'a shared belief that it's okay to take risks, to express ideas and concerns, to speak up with questions, and to admit mistakes — all without fear of negative consequences' or in short - being able to speak up without fear. Again, a well-meaning movement but, difficulty in speaking up is probably the one thing that most neurodiverse individuals will have in common. And this was exactly what had happened to our son in his driving lessons – he had become fearful of asking a question or checking something he wasn't sure of with his instructor. He chose to mask (another common neurodiverse trait) his behaviour by appearing overconfident and flippant when in fact, he was literally making life and death decisions based on incomplete knowledge and limited skills.

So what did we do, and more importantly, what can you do to provide that all important psychological safety for a member of the neurodiverse community joining your organisation, especially when they are learning something new?

1. **Recognise that a label does not determine how someone learns.**

In the same way that not everyone fits neatly into a learning style, nor does a neurodiverse label mean that all people with that condition have the same needs. The mistake the driving instructor made is that he wanted to label our son to help him to understand rather than taking the time to think about how best he could teach our boy – or even better, to ask someone who knew him well. He decided he had some form of attention deficit disorder, and as such, made frequent references to it, which did nothing to help their relationship and create a psychologically safe learning environment for our son.

2. What is it they say about assuming? It makes a fool out of you and me.

Another common neurodiverse trait is the inability to pick things up organically. Many people will know that members of the autistic community often have to be taught the link between facial expressions and how someone is feeling. What many don't appreciate is that the same thinking of using pictures, words and actions is used for neurodiverse individuals to learn processes as they do not always pick up individual steps naturally. This was another failing of the instructor; he had taught steps one and two of approaching a roundabout (think steering and road placement) but then had moved on to step four and five (indication and accelerating out of the roundabout) assuming that our son would naturally pick up step three i.e., how to achieve an 'appropriate speed'. The result – some very uncomfortable rides until we stripped back the whole end-to-end process of using a roundabout into individual steps. We could then teach him a specific order and he used the process to approach a roundabout at a suitable safe speed each and every time.

3. Observe, observe, observe.

People are often great at highlighting a neurodiverse person's differences and even labelling them using their own limited knowledge, but they frequently do not use these observations of a neurodiverse person's behaviours to their advantage. When I sat in the back seat, I could immediately see our son was tense and this was being caused by his driving position. We changed his position and his shoulders dropped, his hands moved further down the steering wheel, and he was able to achieve a better foot position over the clutch which resulted in a welcomed smoother ride for his passengers. Even when a neurodiverse person masks their behaviour, they still 'leak' signals that are easy to pick up on if you take the time to learn what to look for.

One of the biggest signals is that they will be the ones who are sitting quietly not asking questions. They will look like they are engaged (masking) but inside they will be in turmoil - trying to unpack in their minds about what they learned ten minutes ago whilst missing what is currently being taught. All the time their anxiety will be building as they focus on how they are going to get the session notes so that they can start again and piece it all together in their own time, and calculate how they are going to be able to put it into practice. To the skilled observer, they will recognise their disengagement not as arrogance or lack of interest, but as being overwhelmed. When this happens, steps need to be taken to re-engage the learner. After I pointed some of this out to the instructor, he did take some time out with our son to chat to him about what they could do to make it better but, sadly the conversation never continued past one lesson and any progress was quickly lost.

> "It is great to see the big organisations recognising that by making small adjustments to their workplaces, they can gain access to an

4. It is actions that count, not words.

Finally, whilst intentions are great, action is what brings about change and consistent action means that change endures. For a neurodiverse individual to thrive, their environment needs to be stable and predictable. A psychologically safe environment means that the reaction they receive should be the same, irrespective of what they say or how they say it. This takes time and effort to create and maintain, especially when experiencing times of stress and time pressure. The instructor would often talk our son through the required changes he needed to see at the beginning of a lesson. Our son knew he had to change but didn't know how and more importantly, didn't feel that he could ask or when he asked, was told 'you should know this by now'.

And so back to our son, he is turning into a great driver – in our view. If he does pass his looming practical test, we are confident he will be a safe and courteous road user. We have been able to, yet again, unravel a teachers' failings, pick our child up off the floor emotionally and put him back on the pathway to success. I say again as we have done this many times in his school life, starting with teaching him what numbers represented by using dice and blocks, as his teachers had assumed this step at aged four and a half was already mastered. So, whilst I think the movement to be more inclusive of the neurodiverse population is superb, let's make sure our focus is on creating the right psychologically safe environment as well as the physical one.

Evidencing Consumer Duty, are we there yet?

Julie Pardy - Director Regulation, Worksmart Limited

> "Given this ongoing obligation, the headlines from the FCA's recent research provide useful insights into where boards should be focusing their attention, and the questions they should be asking, in the forthcoming months.

Now the Consumer Duty (CD) regulation is live and the project teams, so busy for the last year or two, disband, we are left with the realisation that CD is finally in BAU. Cue sighs of relief all around the industry! Indeed, given all the focus CD has consumed in most firms, those sighs are well earned.

However, I use the word 'most' with good reason because in May, the FCA published the results of two pieces of research it conducted into preparations for CD in different parts of the industry and the results which, whilst encouraging in many areas, were far from universally glowing; Consumer Duty: Review Of Fair Value Frameworks and Consumer Duty: Firms' Preparedness.

And paying attention to these pieces of research is important because senior managers and the CD Champion have considerable obligations post live to embed the behaviours and processes aimed at delivering good outcomes. In particular, they should have CD 'front of mind' in their business decision making, and actively use the MI provided to them which monitors their firm's performance against the standards set by the four outcomes and three cross-cutting rules. Furthermore, the firms governing body should be reviewing and approving the firm's assessment of whether it is delivering good outcomes for its customers which are consistent with the Duty and agree any actions required in remediation. And on this last point, when completing this annual sign off, boards will need to be sure they have the evidence available that supported their decision, whatever that may be. As this is an annual duty, I suspect that what we are likely to see, and what the regulator might expect is iterative improvements to products and processes linked to any shortcomings found in the annual report backed up by the decisioning that was made in support of the changes.

Given this ongoing obligation, the headlines from the FCA's recent research provide useful insights into where boards should be focusing their attention, and the questions they should be asking, in the forthcoming months.

The first piece of research is the FCA's Review of Firms' Preparedness For CD, which was carried out by IPSOS in spring of this year across 1,200 plus firms, in 17 portfolios and 6 sectors. The key portfolios were advisers and intermediaries, wealth management, high-cost lenders, personal and commercial lines insurance intermediaries, retail finance providers, payment services firms, credit brokers, debt advice firms and motor finance providers. So, whilst some major portfolios were excluded, e.g. retail banking, general insurance etc., the survey sheds considerable light on the preparations from a significant swathe of the industry. And IPSOS's report threw up some very interesting findings.

Firstly, although 92% (only 92%?) of firms had heard of CD, only 86% thought CD as being relevant to their firm – with debt advice (58%) and retail finance (50%) firms being significant outliers. Indeed, these two portfolio types remained outliers in their responses across almost the entire survey and must remain a concern for the FCA. Although not as marked in their responses, motor finance and high-cost lenders were also divergent from the rest of the survey respondents in their answers to most questions. These four portfolios aside, the survey identified some interesting responses to more detailed questions, for example:

⇒ Customer Journey: Although 27% of respondents said they had finished mapping the end-to-end customer journey, 62% said this work was still in progress. For me, this is important because understanding the customer journey is a precursor to other necessary work such as developing the metrics and datasets for monitoring outcomes.

⇒ Supply Chain: Discussing and supplying the essential data to partner firms up and down the supply chain was also an area where firms were still hard at work, e.g. 67% of firms said this work was still in progress (with only 14% saying it was complete). And when asked about supplying partner firms with the information to enable them to complete their obligations, only 57% said they had done so.

Readiness For 31/7/23 Deadline: Although 86% of firms said they would be ready for go-live, when probed on this, the answers were revealing, e.g. although 54% of wealth management respondents said they would fully ready, a further 31% said they would only meet most of the CD requirements by 31/7/23. This pattern of partial readiness was repeated across with survey with some portfolios providing some worrying responses, e.g. 18% of debt advice (22% of retail

⇒ finance) firms didn't know whether they would be ready because they hadn't started work on preparing for CD!

⇒ Firm's Capability In Their Preparations: when asked about their capability, most firms felt they had sufficient expertise, 81%, although only 76% felt they had sufficient resource.

⇒ Benefits And Costs: Perhaps the most telling results come when asked about cost – benefit. Firms were asked whether they felt the long-term benefits of implementing CD outweighed the short-term costs. Across all respondents, only 46% felt the benefits would eventually outweigh the costs, with only payment services (56%) and motor finance (59%) firms scoring above 50%. For me, this tells a story of a reluctant industry complying, rather than embracing the incoming regulation. And that's a major warning sign as, in my experience, it's this attitude which sits behind firms' taking a 'do the minimum possible' approach to the regulation, i.e. 'tick box'. Not good!

⇒ Support From The FCA: The survey concluded with asking questions about what areas the FCA could best provide further support in. The top two areas were outcomes monitoring (including data and metrics) and price and fair value. These responses come as no surprise to me as they confirm my experience from talking with trade associations and from delegate questions when running webinars.

The second study is the FCA's Review of Fair Value Frameworks. This looked at a more specific aspect of firm's preparedness, namely the fair value work undertaken by 14 firms in the retail banking, consumer investments, payments and digital assets, and consumer finance sectors. The FCA requested reviews from these 14 firms, then analysed them in detail. Therefore, although the research is not representative of all firms in the industry it does provide detailed insights into the preparations undertaken in different areas of the industry compared with the IPSOS survey.

The first, general, finding from the research was the sheer amount of work that firms had put into understanding and assessing fair value. That said, the FCA found a number of shortcomings in some firms' preparation, notably:

1. A number of firms had *"high-level or unevidenced arguments that their business models or ethos are inherently fair value"* rather than using rationale, supported by 'ground up' data to evidence and explain their arguments. Some also didn't fully understand the distinction between manufacturers and distributors causing their understanding of the costs and benefits associated with each party in the distribution chain to be skewed.
2. Although there was encouraging evidence of firms' ability to break down and explain the costs and benefits of their products in different markets, some firms had a generic template for assessing fair value that had insufficient detail on how value would be assessed across different market sectors and customer types and some firms did not make reference to profit margins on products even though this should be relevant to any fair value assessment.
3. Some firms focused solely on the financial value received by customers and failed to take contextual factors into account, e.g. behavioural biases in the sales process and how other products or services held by customers with the firm may affect value.
4. Although some firms had undertaken a large amount of work on how fair value would be assessed across different customer groups and distribution channels, others were only able to explain how costs were aggregated in relation to the prices charged, not an evaluation of whether this led to fair value or not. Other firms relied on average outcomes, rather than a more detailed analysis by product/service, customer type and distribution channel. The FCA questioned whether this gave decision makers sufficient information on differential pricing and mark ups to make balanced decisions.
5. Finally, some firms had clear plans for what data would be collected, how and when. However, this contrasted sharply with some firms who had no more than high level plans for gathering, analysing and presenting information on fair value, whilst others had no plans for how data on fair value would lead to remedial action. The FCA also noted that many firms proposed using RAG or points summaries and whilst agreeing this was an acceptable process in general, warned against using these summaries without providing the detailed evidence that led to these conclusions.

Taking a step back from these results, two things should be made clear. Firstly, both studies were conducted in the spring. Therefore, things could be very different now. Also, these surveys are snapshots from different parts of the industry and may not be representative of the industry as a whole.

That said, I started this article thinking myself into the shoes of senior managers of firms now CD is live. If these surveys are indicative of the industry and its preparedness for CD in any way, and if I was a board member of a regulated firm, I would be asking my central teams some searching questions about the datasets being provided to me, my fellow directors and the CD Champion. For me to put my signature on an attestation of my firm's compliance with CD next year I would want to see detailed MI from across the customer journey summarising performance by product / service and customer group at each stage of the journey. I would also need to see regular updates on the fair value of my firm's products / services as circumstances change and the data my firm was sharing and receiving from partners up and down the supply chain. Finally, I would need to see what data triggered remedial activity, what that activity was and the effects of this remediation. (For guidance on what data can be used to monitor CD, see FG22/5, 11.33).

I understand this a difficult area, but this is the standard the FCA is promising to hold the industry to. Assuming all the analysis of fair value and customer journey has been completed, the focus needs to move onto data and without having strong systems that can deliver the datasets required, I can't help but think boards will be in a vulnerable place next summer. I know I work for a company that supplies RegTech solutions, but I genuinely can't see how firms can ensure good outcomes and evidence compliance without systems that provide detailed, real-time information on performance against these standards. And as the CD project teams wind down, I wonder how many people are thinking ahead to the challenges boards will face next summer.

So, where are we now?

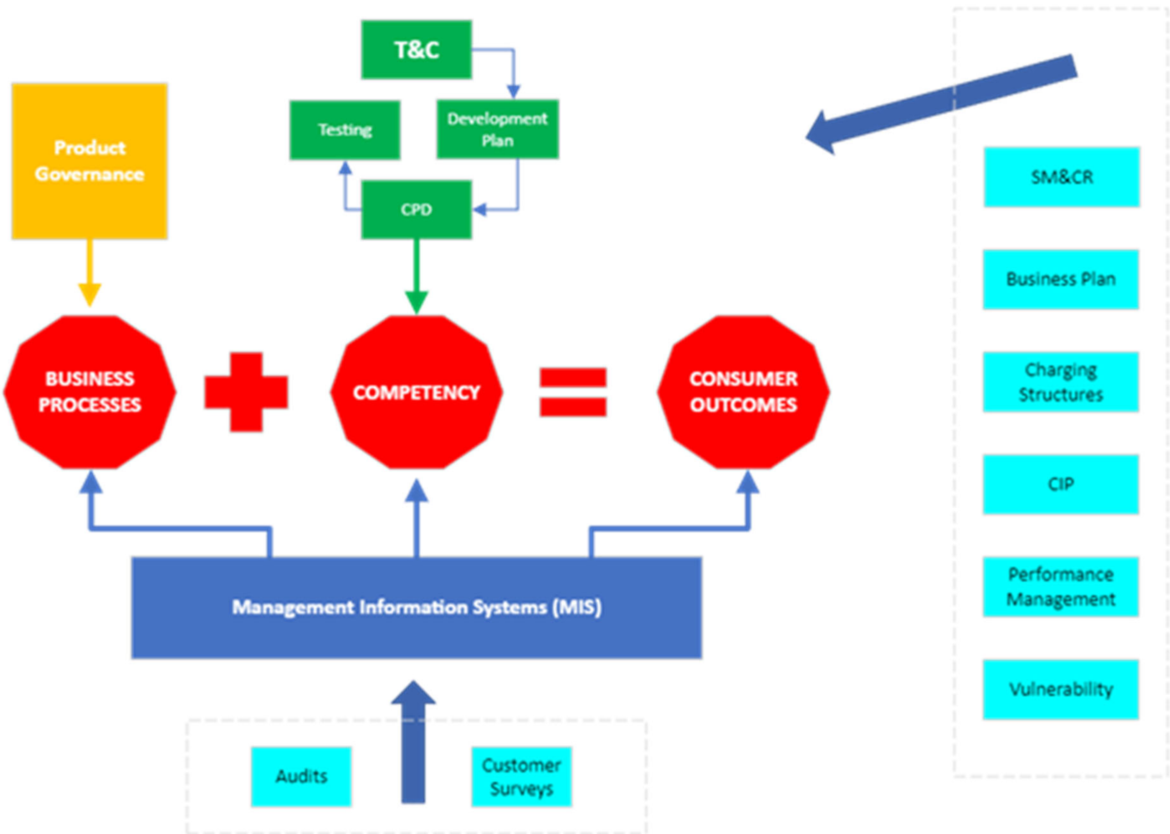
By Tony Catt, Compliance Consultant, The Catt's Eye View

We are almost two months on from 31 July 2023 deadline for implementing all the elements of Consumer Duty into our businesses. How are we doing?

As a Compliance Consultant, Consumer Duty is the gift that keeps giving. It has provided a lot of work for at least the past year and should provide a steady stream for some time to come. Or at least it should, as firms should be regularly reviewing the processes for advice and reviews, communications, products and pricing structures. Do those things seem familiar? They should.

As a reminder, here are the four outcomes for Consumer Duty.

- **Products and services**: are designed to meet the needs, characteristics and objectives of a specified target market
- **Price and value**: Products and services provide fair value with a reasonable relationship between the price consumers pay and the benefit they receive
- **Consumer understanding**: Firms communicate in a way that supports consumer understanding and equips consumers to make effective, timely and properly informed decisions
- **Consumer support**: Firms provide support that meets consumers' needs throughout the life of the product or service



On top of that, the Consumer Duty also brought Vulnerable Clients and Sustainable Investment into the mix for advisers to build into their advice processes.

I have recently written a training session that encompasses SM&CR, Consumer Duties and Vulnerable clients and delivered this to my client firms. I was pleasantly surprised to find that they all dovetailed quite nicely with almost seamless segues between the three subjects. It was almost as if the FCA had been forward thinking enough to have foreseen such a training module. I am going to put the training presentation onto my website www.thecattseyeview.co.uk shortly.

> “On top of that, the Consumer Duty also brought Vulnerable Clients and Sustainable Investment into the mix for advisers to build into their advice processes.

Following on from the training, one of the larger firms has set up whole processes around the identification of vulnerable clients and what they are going to do to accommodate them in future. The firm has also designated some more experienced staff members to be Subject Matter Experts to help their colleagues in this field.

The Sustainable Investment end of this deal is more difficult. The FCA has taken quite a long time to try to give some definition to Sustainable Investment that everybody can understand. The labelling system is still in throes of negotiation and consultation, although we have been promised that guidance will be forthcoming in Q4 this year. It better be so easy that even a compliance consultant can understand it after the amount of time and consideration that is going into it.

This is not helped by the recent headlines with the Government back-tracking on previous promises made and the dates that things are scheduled to happen. This makes advisers nervous about recommending sustainable funds because of this uncertainty. This is coupled with the relatively poor short-term performance of funds that do not contain oil and power stocks that have thrived in the last 18 months.

What people do not seem to realise is that Sustainable Investment and planning is for longer-term. We have a government that is planning for the next few months in preparation for an Election. It seems to be pandering to certain elements of its own constituency and pumping out all sorts of (mis)information in the press to try to explain its thinking.

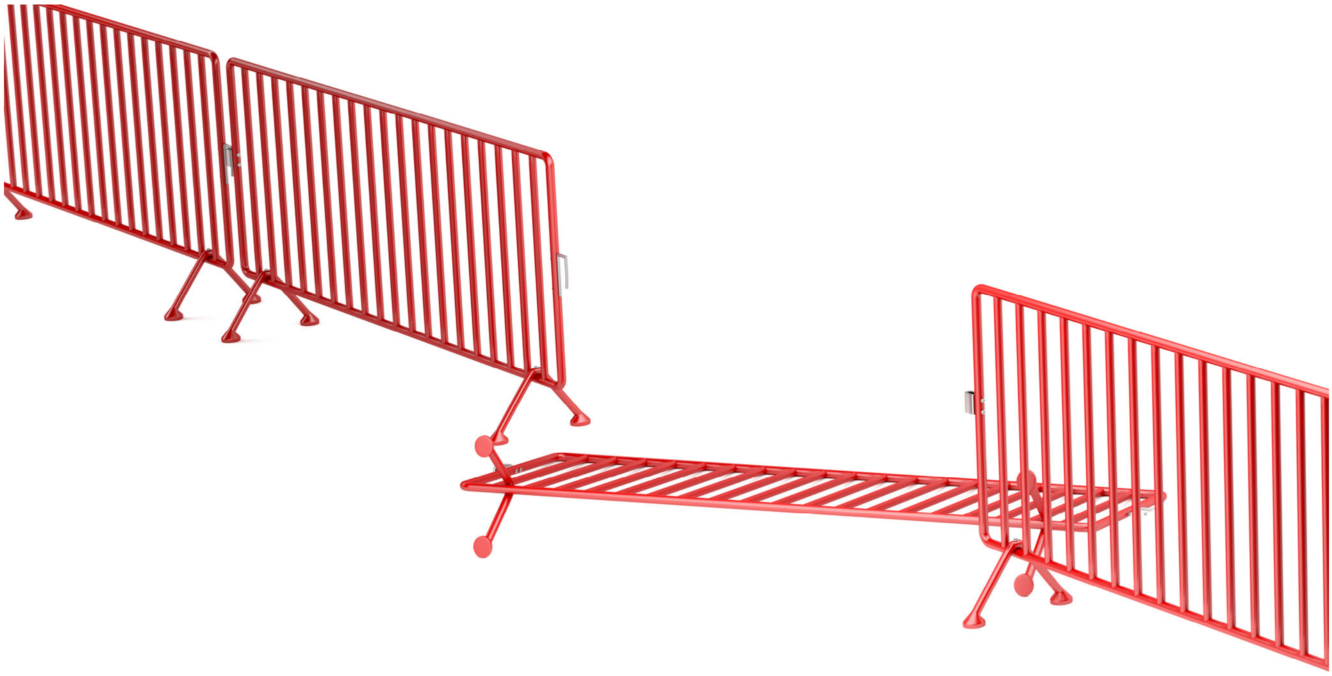
We had the by-election in Uxbridge and South Ruislip apparently decided by a protest vote about the Ultra Low Emission Zone being extended to Greater London. Labour tried to stop that roll-out because it might mean it lost that seat. You cannot get much more short-term than that! The worst excuse ever!! The argument that why should we bother because China and India are still pumping out carbon emissions is ludicrous. Their emissions have no impact on cleaner air in London suburbia.

On the positive side, the first week in October is the UKSIF Good Money Week. Various conferences are planned for that week and represent a great opportunity for advisers to learn about Sustainable Investment from real experts and not just dabblers like me. For information about the event, go to https://goodmoneyweek.com/

My revisit of Sustainable Investment is due to be published this week by IFA Magazine and will be available on their website https://ifamagazine.com/publications/ .

Consumer Duty shaping the boundaries for advice

By Philip Masey from Wizard Learning



On 9th December 2022, the Chancellor announced the 'Edinburgh Reforms' as part of a multi-step strategy to promote growth in the UK by removing cumbersome EU laws and directives that have been retained post-Brexit. It is the next stage of the vision for the financial services sector outlined by the government during a speech by now Prime Minister, Rishi Sunak, at Mansion House in 2021.

The reforms are intended to create a more streamlined, adaptable regulatory framework that can react quickly to arising issues and themes. One element of the reforms is a review of the 'Advice Guidance Boundary', jointly conducted between the FCA and the Treasury.

What is the advice guidance boundary?

The advice guidance boundary is about how much advice and support can be given to consumers without it constituting a 'personal recommendation'. A personal recommendation is any investment advice given to a customer (or prospective customer) that is made based on its suitability for the client or the client's own personal circumstances. If the advice is issued exclusively to the public as general guidance, this would not constitute a personal recommendation.

The FCA believes that many firms are not offering sufficient support to consumers, as they may be overly worried about the level of support being misconstrued as making a recommendation. As a result, the review of the advice guidance boundary is a long-term plan intended to help firms better understand the current framework, allowing them to operate closer to the boundary and provide better aid to those in need. They also hope the . review will identify ways to improve the current framework and make the responsibilities of investment firms clearer

The Review

Beginning with feedback from consumers and those working within the industry, the review is meant to entrench the consumer's right to receive help to make informed financial decisions, at an affordable cost, whenever they need it. The FCA have stated that they expect the review to 'leverage the Consumer Duty [regulations], to set clear expectations for the support that firms provide their customers and ensure that consumer protection remains at the core of any future regime'.

The first aim is to clarify the advice guidance boundary for investment firms. The FCA has published some examples of what would constitute advice and what help could be offered without any personalisation. One example of providing support without a recommendation is when firms point clients towards tools that can help with personal budgeting, it could also be answering simple queries like the difference between ISA's and a pension. The FCA additionally highlighted more general advice like explaining the potentially negative consequences of holding too much cash or the overall risks associated with pension transfers.

If firms are reluctant to provide this kind of generalised advice, it means there are many consumers who will struggle to easily access the information they require to invest with confidence. This is one of the key elements of the government's plans for the financial services sector

> “The FCA believes that many firms are not offering sufficient support to consumers, as they may be overly worried about the level of support being misconstrued as making a recommendation

as outlined by the ‘Consumer Investments Strategy’ set out in September 2021. The government wishes to create an environment where clients can identify investments that are suitable for their needs and appropriate for their personal attitude to risk. Consumers should have access to these investments and should be provided with the advice needed to build confidence and ensure they understand of the associated risks.

In support of these aims, the government announced plans to ‘broaden access to narrower-scoped financial advice’ through the Core Investment Advice Regime in November 2022. Building on the Consumer Investments Strategy, the government is trying to create an industry that facilitates personal investment and ensures that consumers are maximising their existing assets, potentially unlocking huge growth potential.

This resulted in a Consultation Paper being released that showed the extent of the problem with reference to surveys confirming that many consumers who currently hold assets in cash, would greatly benefit from moving these assets into a different investment product, in line with their own attitude to risk of course.

The report identified supply and demand issues as being a key driver of this problem. On the supply end, many firms are concerned with the cost element involved in providing advice to mass-market clients with smaller levels of assets as well as the risk of mis-selling if the advice is deemed unsuitable. On the demand side, there is a clear disparity between high-net-worth clients and less wealthy clients, with the latter being far less likely to seek support in financial decisions.

The ‘Advice Guidance Boundary Review’ is a broader assessment of the advice framework which will now incorporate the proposals of the Core Investment Advice Regime as well as implementing some of the recommendations from it. The hope is by incorporating one into the other, more substantial change can be achieved with a many firms wanting the regulatory guidance to go deeper than the Core Investment Advice regime originally intended.

How does Consumer Duty affect the boundary?

The benefits of these initiatives to the government are hopefully more private investment and therefore more tax revenue as well as an overall more buoyant economy. However, the proposals are aimed at the firms providing the advice or guidance, who are now governed by the Consumer Duty regulations.

One of the pillars of Consumer Duty is ensuring good outcomes for consumers at a fair price, which should now underpin all actions taken by firms. The consideration for anyone operating in this industry now is whether the support they are providing will result in a positive outcome for the client. Any client who has excessive cash holdings, could be seen as causing detriment to their own financial situation if they have not received ‘guidance’ on the potential alternatives.

When consumers with cash holdings engage with firms, providing little to no support for fear of over-stepping the advice guidance boundary will almost certainly result in a negative outcome for those consumers. Firms have a responsibility now to ensure that they do all they can to prevent this and so operating closer to the advice boundary becomes paramount.

In the Core Investment Advice Regime Consultation Paper, the FCA found that those who have received investment advice rather than guidance, are more likely to have a varied investment portfolio. However, it would be impossible to identify how many consumers have received guidance that falls well short of the advice boundary but who could have benefitted from more in-depth support. Failing to offer this support must now be seen as a breach of Consumer Duty regulations.

Plans for the future

By focusing on the provision of adequate advice, guidance or support, the government and more specifically the FCA, are doing their utmost to ensure consumers are given every opportunity to make informed financial decisions. Having vast amounts of cash stagnating in bank accounts across the country restricts the economy’s growth and ultimately leaves consumers unable to maximise their hard-earned assets, therefore limiting their standard of living. The importance of making good financial decisions has become even more vital when considering the recent cost of living crisis and high inflation, two factors already impacting standards of living across the country.

The FCA have acknowledged that the current framework does not do enough to give firms the clarity they need to address these issues and ensure good outcomes. The review shows the FCA’s willingness to tackle these problems head on and should allow for a more transparent, more flexible approach.

Chris Hill, CEO of Hargreaves Lansdown commented:

'Data and digital tools mean there is now a lot more we can do to nudge consumers to better investing behaviours. The clarity the FCA are bringing today on the advice boundary, and the commitment to review this, show that we can develop a new regime to ensure firms can do more to drive better consumer outcomes.'

Whether it is through further publications of good practice or further clarity on firms’ responsibilities, the advice guidance boundary will continue to be redefined. The onus is on all within the industry to operate as close to the boundary as possible to ensure clients are not left without adequate support, whichever form that may take.

Choice architecture and the restaurant wine list

Henry Tapper
Chair, Age Wage

> But nine times out of ten, people will choose the house pension, as they accept the house savings vehicle

How many times have you scanned a long wine list full of expensive options you don't understand and turned with relief to the back page to find the house wines?
Reasonably priced and selected for you by the management, they represent the best views of people who know better than you and are selecting in your interest.
Restaurateurs are trustees of the culinary world.
Whether we have chosen the restaurant or not, we can see no reason why it should not be knocking out its house wines to please us. If we find a bottle of Blue Nun there - at £30, we have every right to walk out before the first course arrives! The house wine is a sign that the restaurant is on our side and that it's trying to make choices easy for us.
We won't get the sommelier recommending the house wine (especially if it comes in a box or tin); you won't get a financial adviser recommending the house pension.
People who want to - can pay for something bespoke, most of us want a quality product at a reasonable price that does what it says on the label. Something that the house is proud of.

"Choice architecture"

The DWP has just finished a consultation on "choice architecture" - the presentation of the pension choices to those at retirement, struggling to find a decent option at a decent price.
People looking for a value for money pension that does not require a degree in pensions management to understand or use.
Put aside what the pension solution should be (I cover this elsewhere), I would like to be presented by my pension provider (L&G) a house pension which has been selected for me.
I would like a few tasting notes. I would like to know the basic details as I'd like to know a little about the house wine, or the house pizza or any other house special. I'd like the right to say, "no thanks" and choose off the extended pension list, something more to my taste.
But nine times out of ten, people will choose the house pension, as they accept the house savings vehicle. It is slightly different when you are converting from being a pension saver to a pension spender, you need to make a positive affirmation of what you want, and you need to give your bank details to the organisation paying you your money (you of course also have the right not to have money back).

House pensions are a good idea all round

If you don't want wine - don't buy it; if you don't want a pension - don't buy one.
But all over the world, governments are waking up to the fact that people aren't swapping pots for pensions and governments are demanding more be done to promote a house pension option.
The point for trustees is that a house pension fulfils two duties, first your duty to the consumer to make a reasonable pension option available. Offering a pension scheme without a pension is asking for trouble.
Secondly your duty to your scheme is to create a marketable selling point which will attract your pension some attention.
This latter point is underestimated. A trustee's duty must include a recognition that unless the scheme is commercially viable, it has no future. That is the hard truth behind the move to consolidation. Trustees of commercial master trust must consider why employer would want to stay with them and why they'd want to switch to your trust. Even large schemes with a single employer need to justify to their sponsors that they provide a return on the sponsor's investment. The alternative is that you and your scheme will be consolidated.

While the primary duty of a trustee is to the member, part of that duty is to ensure that the scheme remains relevant and can be sustained. There should be an alignment of interest in success for funder, trustee and sponsor.

Creating scale

Commentators have often pointed out that nudge theory is about creating a simple pathway we can all follow. Auto-enrolment nudges us into a savings pattern into workplace pensions dependent on a regular deduction of money from our pay. By concentrating flows into a small number of qualifying workplace pensions, new flows are increasingly creating economies of scale. Straggling schemes are being picked up and consolidated all the time. Savings scale is created by the rigorous application of house specials - known as "defaults" (I think that defaults could be known as the "house choice" too.

If an asset manager knows it is part of the default, it offers terms based on securing 90% of scheme flows, the terms are better. The funder can concentrate 90% of scheme resource on optimising sound investment administration, the house fund becomes a success out of proper usage, people understand this as they understand that the ingredients of a house special are likely to be better, for the size of orders the restaurant is making.

But the argument goes that people have different needs at retirement and cannot all be offered the same house special. Instead, we offer them investment pathways, which is like bringing out the chariot of cognacs and fine whiskies when all people want at the end of a meal is to finish off the wine.

Making a night of it

Many people get to the end of the meal and want to clear off because they suspect they will be sold expensive muck which they'll end up buying because they've had a few. I fear this is why investment pathways are popular with some pension providers, they are high margin products that people buy when they find they have a bellyful of savings in their pot.

We are at our most vulnerable when the drinks cabinet is being wheeled around but most of us ask for the bill and head for the door when it hoves in sight.

If the restaurant offered us an opportunity to relax and enjoy an after-eating experience, it could continue to offer us the house products and most of us would be happy to stay for as long as we could. That is how good restaurants get good reputations. Pension schemes that offer pensions - keep their customers for as long as the customers stay upright. There's a lesson there for providers, as well as for revelers!

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