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Dear Sir/Madam

Financial Services Consumer panel (the Panel)'s response to the FCA Draft Guidance for Insurance and Premium Finance Firms: Coronavirus and Customers in Financial Difficulty

The Panel welcomes the opportunity to respond to the much-needed guidance the FCA has proposed for the insurance industry during the coronavirus crisis, and the pro-active approach the FCA has taken.

We generally support the guidance and its detail and we welcome the fact that most types of contract appear to be captured by the guidance, meaning consistent outcomes for consumers. The FCA has rightly identified that a review of product value to consumers alone will not address the immediate needs of consumers suffering financial hardship and/or find themselves in vulnerable circumstances at this time.

Industry must ensure the important ICOBS rules¹ which require firms to act honestly, fairly and professionally in accordance *with the best interests of its customer*, is the foundation for all communications and interactions with consumers during this time especially. The FCA should gather information to ensure these expectations are met and that customers are treated consistently across the market. The FCA should take further action where necessary.

As the consumer journey is the focus here, some more practical examples or scenarios where consumers may be suffering detriment during the crisis as a result of their current insurance policy, could bring this insurance guidance to life. The FCA could look to organisations such as MAPS or the Financial Ombudsman Service for intelligence.

The Panel is particularly pleased with the suggested action for firms to consider offering consumers an alternative product that better suits their needs which is akin to our position on automatically upgrading consumers to products that are more suitable to them, as we said in our research² and also in response to the General Insurance Market Study Interim Report.³

¹ ICOBS 2.5-1R

² https://www.fs-cp.org.uk/sites/default/files/automatic_upgrades_position_paper.pdf

³ https://www.fs-cp.org.uk/sites/default/files/final_fscpr_response_to_gi_interim_market_study_report_20191115.pdf

For deferral payments, the FCA has made clear *'there is no expectation under this guidance that the firm makes enquiries with each customer to determine if the circumstances surrounding a request for a payment deferral are connected with coronavirus.'* The Panel feels it should be a default position for firms not to make these enquiries in all situations during the crisis and instead act in the consumer's best interests.

Communications

The Panel welcomes the FCA's recognition of clear consumer communications across all forms of media e.g. websites and apps but firms must ensure that messages are jargon-free, inviting and user-friendly. There appears, however, to be an assumption that the internet is readily available to all. The FCA should ensure firms have adequate resources for customer phone lines to be operating effectively and accessibly, with the same clear messaging for those who are not on the internet - and perhaps more vulnerable as a result.

There should also be consideration given to the messaging for consumers as any temporary changes to payments during the crisis come to an end. Firms should give consumers enough notice before the arrangements end, and the Panel suggests they notify consumers via more than one means before the measures come to an end. Firms should actively encourage consumers, through clear messaging, to update the firm of their current situation if they are still struggling financially at the end, or approaching the end, of any temporary arrangement.

Looking forward to the not-so-distant future, the FCA should consider what good outcomes look like and what this may mean when/if these consumers need to renew their policies. This is linked to the firm guidance on assessing product value, but future consumer communications must be a key part of this also.

Yours faithfully

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Chair, Financial Services Consumer Panel