

Jo Legg, Head of Consumer Policy and Outcomes, FCA

Good morning, everyone, and welcome to our event today to mark one year of the Consumer Duty. As well as those of you joining us here in our London office, there are thousands of you joining us online from all across the industry representing all types of firm, from sole traders to high street firms. We are delighted to have you with us. I'm Jo Legg, Head of Consumer Policy and Outcomes here at the FCA, and I'll be chairing proceedings this morning.

Today we'll be reflecting on the impact the Duty's had in the past year and marking it coming into force for closed products. So let me tell you what we've got planned to do that.

First we'll hear from Sheldon Mills, Executive Director for Consumers and Competition. Sheldon will give the keynote address on what we've seen so far and the future focus for the FCA with the Duty.

We're also extremely pleased to welcome Abby Thomas, Chief Executive and Chief Ombudsman at the Financial Ombudsman Service. Speaking after Sheldon, Abby will reflect on what the Financial Ombudsman has seen in its casework to date on the Duty and look ahead as well. We'll then move on to our panel discussion where FCA and Financial Ombudsman senior leaders will cover issues that we know matter to you all.

Before we move on, you might have seen on your screen or up here in the auditorium that we're running a Slido poll, and I'd encourage you to fill this in. You can do so by scanning the QR code that's up there or by going to slido.com and entering the code 2719367. So that's 2719367. We'll be rerunning the questions on the Slido poll at the end of the webinar, and this will help us measure how effective the session's been.

The results are completely anonymous, and we are always keen to hear feedback from you to think about how we can tailor and improve our future events. So please do take a moment to complete the poll. Now with that housekeeping done, I'll hand over to Sheldon.

Sheldon Mills, Executive Director, Consumers and Competition, FCA

Jo, thank you very much and thank you, everyone, for joining us today on what is the end and beginning of a journey we started a few years back.

In February last year, I urged you all to eat the frog and, no, I was not casting for an alternative career as a chef, something which anyone who has eaten my cooking would be very grateful for. I was encouraging you all to tackle implementing the Consumer Duty even it was the one thing you wanted most to avoid.

I'm very pleased that in the intervening 18 months we've seen a, hypothetical I must add, feast of frogs. We introduced the Consumer Duty and its outcomes-based approach as we want to create an environment for healthy competition and innovation based on high standards. It's a core part of the FCA's strategy and gives effect to the

cross-party mandate we were given by Parliament through the Financial Services Act 2021.

We see the Duty as good for consumers, good for firms, and good for growth in the economy, and I want to take this opportunity today to celebrate how far we've come already to meet those goals and to talk about what comes next.

Before I do so, I wish to return to the lily pond and to frogs. One of the fascinating things about frogs is that not only can they jump, but they can leap. The striped rocket frog, despite being only 5 centimetres tall, can leap over 2 metres, making it one of the most proficient jumpers relative to its size for any animal.

Today we are all making a leap of our own, and I do not mean I'm expecting a last-minute call up for the team GB Olympic long jump squad, although I did do long jump and triple jump at school. Having reached the deadline for closed products and services, the Consumer Duty is enforced across all of retail financial services in the UK.

If a humble frog powered by nothing more than insects can jump 20 times its own height, then the UK's financial services industry, powered by an incredible 2.5 million fantastic people across our country and even the odd consultant, can take the leap to the heights of full implementation of the Consumer Duty.

So what's been the impact of the Duty to date? Well, first of all, I'd like to thank every firm, large and small, and everyone within those firms who has played their parts for the steps you've taken to implement the Duty so far. We know that many of you have embraced the Duty and used it as a driver to shift your culture and improve outcomes in your firms.

Over the past year, we've seen many examples of positive and impactful changes. We've shared much of that great practice so others can learn from it and we've also said where firms need to do more.

In our cash savings work, for example, following our [market review](#), we've seen firms act more quickly to increase rates following base rate increases. The base rate rose by 0.25 percentage points between July 2023 and February 2024. During this time, firms, on average, increased rates for easy access deposits by 0.5 percentage points. We estimate consumers will get around an additional 4 billion pounds in interest payments per year, money they can save or reinvest, use to pay down any debt, or that might boost spending in the wider economy.

Our [intervention on GAP products](#), where we ask firms to look at their commission structure will, we anticipate, see firms make changes to improve the value of GAP insurance, which based on assumptions about the expected changes will save their customers around 70 million pounds.

In response to the Duty, many firms have made changes to their products and services. One large financial advice firm is making significant changes to its business model to simplify and unbundle its charging structure, resulting in improved outcomes for clients with greater transparency and comparability with other firms and the removal of an early withdrawal charge for certain products.

Following our work on the [treatment of interest on cash balances by platform investment providers](#), the vast majority of firms we wrote to as part of the sample

have stopped double-dipping. That's making a return on interest retention as well as charging customers for custody of cash. Aggregating the impact across 13 of those firms that have stopped this practice, we estimate this will put around 10 million pounds annually in fees back in customers' pockets.

So the Duty is already having a tangible impact on consumer outcomes, and it has been driving improvements in firm culture, conduct, and governance too, which over time will drive better outcomes still. Firms we've spoken to have developed new data and metrics to better understand their customers.

For example, to track customers who fall outside of their target market, allowing them to conduct outreach or implement intervention measures. Others still have improved the way they capture and record information about customer vulnerabilities and expand support to better meet customer needs by adopting a Tell Us Once approach.

Some firms have changed their employee bonus structures to make sure that incentives are right, and employees get good outcomes when their customers do. We're also seeing firms being more proactive with their communications, contacting customers to provide information on what better products may be available, and monitoring the impact so they can learn and improve. And many are rewriting communications to make them simpler and easy to understand.

This is just the beginning of the journey, not the end, and it's clear there are a number of areas where firms need to continue to make improvements. So we know there is much more to come.

A question industry and commentators often ask me is whether the Consumer Duty protects consumers too much at the expense of growth, innovation, investor appetite in the UK economy, or, in other words, is our frog preventing other wildlife from swimming in the lily pond?

My answer is the lily pond does not have to choose one species over another. Consumer protection and growth are not mutually exclusive. They can and should be mutually reinforcing. We want to see inclusive sustainable growth where consumers have appropriate access to products and services that meet their needs.

In delivering that, we face many changes and challenges, and we must remain flexible and adaptive to meet them. The world is changing and we're seeing shifts in consumers' banking and payment needs, for example. Our [Financial Lives Survey \(FLS\)](#) found that 47% of consumers used a digital wallet for payments in 2022 compared to 17% five years earlier.

Technological advancements have opened up opportunities for firms to innovate and provide products to respond. That's a good thing, but that shouldn't be at the expense of wider inclusion. Last week [we published rules](#) which help support the three million people who still strongly rely on cash and the millions of small businesses who need to deposit cash. Balancing innovation with consumer protection while supporting the need to grow the economy is a crucial focus under our objectives.

For example, AI presents opportunities for firms who are thinking creatively about opportunities for innovation and efficiency. That's why we've been working with other regulators in the [Digital Regulation Cooperation Forum](#), the DRCF, to run an AI and digital hub. This is where tech innovators can get free and informal advice.

We'll also ourselves be launching an AI sandbox in due course, too. Our aim is to enable product developers to bring their products to market safely and quickly.

This shows that we, and the Consumer Duty, are deliberately flexible to adapt to change as an outcomes-based regulator and the Consumer Duty as an outcomes-based measure. The Duty allows space for firms to innovate and find new ways of serving their customers as the world around us changes, all the while being clear on our expectations for good customer outcomes.

Since last year, we have a [new secondary objective](#) to facilitate the international competitiveness of the UK economy and its growth in the medium to long term. Our approach to the Duty will support this objective by promoting more effective competition and innovation.

This is not new to us. At the FCA, we want to see growth. This week, we published our first [SICGO Report \(PDF\)](#) and it demonstrates how our work supports sustainable long-term economic growth. We have been international leaders to support innovation and financial services for some time. We were the first regulator in the world to promote innovation in financial services through our innovation sandboxes and pathways, and we created a space for startups and fintechs to test new ideas and products with our support. We've supported around 900 firms to date.

Last year we made our [Digital Sandbox](#) permanent after a successful pilot. Nearly 60% of participants took off in a better shape, including launching new products, securing funding and partnerships, or receiving industry awards or recognition. In addition, through our [Early and High Growth Oversight](#) approach, we've supported more than 450 newly authorised firms to understand their obligations and meet the standards we expect of them.

It goes without saying that there will be risks with innovation and changes. We need to balance these and recognise that the Duty cannot and should not eliminate all risks to consumers from financial services. Last year, [I spoke about how we will balance](#) not only the risks of consumer harm, but also the risks of underinvestment and slow growth.

We want to empower consumers armed with the right information to make the right decisions for their own risk appetites. We want our rules, including the Duty, to enable firms to better support people who can save and invest. This is the basis for our continuing work on the Advice Guidance Boundary Review.

We know from our Financial Lives survey that in 2022, there are at least 4.5 million UK consumers with investible assets of 10,000 pounds or more held mostly or entirely in cash - lucky them, some of you might say - despite having no plans to withdraw from their savings in the next five years.

Furthermore, research by Scottish Widows has found that 38% of consumers are not saving enough to fund a minimum lifestyle in retirement. That's a huge thing for both those individuals and for the future economy. Changing this would not only benefit investment and growth, but really help consumers too.

Embracing the new and ensuring our regulation is responsive and flexible, we know some stakeholders have concerns about the implications for redress and the approach other authorities will take on complaints.

That's why the Consumer Duty is one of the key issues which we manage through the [Wider Implications Framework](#). The framework provides a structure for its members to work together to find the best way to deal with issues that could have wider implications across the financial services industry. We continue to work very closely with the Financial Ombudsman Service to ensure alignment and consistency in how the Duty is interpreted, and I'm delighted that Abby Thomas, the CEO of the Financial Ombudsman Services, is joining us today and will shortly, once I shut up, be able to give her presentation.

We have been and will continue to be proportionate in our approach to supervising the Duty, and we'll continue to work with firms to get the Duty right in response to practices we are seeing. This is particularly so for smaller firms.

I've talked about innovation as a clear factor in growth, and the same goes for a thriving small financial services business sector. We want smaller firms to feel confident in their application of the Duty and to deliver good outcomes for their customers. At the same time, we want to support firms that do the right thing to innovate, flourish, and grow.

The Duty allows for smaller firms - and I understand there's around 1,000 of you dialling in today, which is fantastic to see - it allows you, smaller firms, to take an approach that fits your size, the activities you undertake, the market you operate in, and of course to the needs and circumstances of your customers.

But we know the Duty has been added onto our already comprehensive handbook, which wouldn't fit in the lily pond. Firms of all sizes, but particularly smaller firms, often raise with me their concerns about the length and complexity of our rules. There is a perception that this complexity can be a bar on innovation and growth.

That is one of the reasons why we published on Monday this week [our Call for Input](#) to explore how we can simplify the requirements on firms dealing with retail customers. It's the introduction of the Duty, and its outcomes-focused approach, that gives us the opportunity and momentum to take stock in that way.

We want to address areas of complexity, duplication, or overprescription, which create regulatory costs with limited consumer benefit. We want to provide flexibility and for our rules to be responsive to future changes and innovation. I'd really encourage you all to read our Call for Input and engage with us. We want your views to ensure we can maximise the benefits of the Duty.

So what comes next? As we have opened the Call for Input and as we move past today's milestone, we're firmly focused on what comes next. In the coming weeks, we'll publish a grid of our forward program of Consumer Duty work.

In this program, we have prioritised initiatives where, first, there is a need to act to address harm or potential harm to retail consumers.

Second, we want greater understanding of how you're embedding the Duty, the outcomes your consumers are getting, and where potential issues are emerging. Where we need more data and information from firms, we'll only ask for what we really need.

Third, we believe sharing more information on good practice and our expectations will really benefit industry to comply with the Duty and help drive better outcomes.

Under this program of work, we'll also do thematic work across sectors, work on specific sectors, products or services, and we'll keep our focus on the price and value outcome.

We'll focus on price and value, because we know firms have found this challenging and we want firms to get this right. So we intend to provide more best practice in how our firms can meet the price and value outcome.

I'd say in relation to that though, and I sound like a broken record on this one, our role is not to set prices, but rather to ensure that firms are robustly assessing whether they're offering fair value to their customers and ensure firms take action where their assessments indicate that their products and services may not offer fair value.

Many of the harms of poor value are exacerbated by firms lack of compliance with consumer understanding or customer support requirements, for example, using complex product terms and conditions or opaque fees. Ultimately, we're seeking to ensure that value overall is provided. Price is one element, but service and understanding are also key components.

We'll be taking a holistic approach to the application of the Duty. We will not stand in the way of any well-run business making profits in a well-functioning market where there is effective competition that is in the interest of consumers. Profits drive innovation and better consumer services. What is important is that these profits are not at the expense of consumers receiving fair value. The price a customer pays must be reasonable compared to the overall benefits they receive.

Okay, so in Egypt, statues, amulets and whole temples from throughout the history of the ancient period have been found depicting and deifying frogs. It is thought that the annual flooding of the Nile, which underpinned Ancient Egypt's agriculture, brought with it an explosion of the population of frogs, making them an important symbol of new life and resurrection. UK financial services are not in need of resurrection. We are rightfully proud to have one of the most dynamic, capable and innovative financial services industries in the world, but today does mark the start of something new. A year ago, the duty came into force for open products and services. Today it comes into force for closed products and services.

You've heard this from us before, but the Consumer Duty was never going to be a once and done act. It's an ongoing journey for improvement that we're all on together. We're committed to ensuring the benefits of the Duty are realised for consumers, firms, and the whole economy. It is about reputation, it's about trust, it's about delivering value and growth, but we know we have more to do. This is not the beginning of the end for all of our efforts to implement the Consumer Duty, but the end of the beginning. Today we are taking the leap, but like the frog we have many smaller hops to come. Thank you.

And I have the pleasure in introducing Abby Thomas, the CEO of the Financial Ombudsman Service. Abby, thank you.

Abby Thomas, Chief Executive and Chief Ombudsman, Financial Ombudsman Service

Thank you, Sheldon. And thanks to everyone who has attended either face-to-face or online. My name is Abby Thomas. I'm the CEO and Chief Executive of the Financial Ombudsman Service, and I joined the service almost two years ago at a very critical

point, the point at which implementation plans were being finalised for the Consumer Duty. I'm delighted to be here with you today to speak about the role of the Financial Ombudsman service, the impact the Consumer Duty has had on financial services and the way in which a Consumer Duty can help you going forwards.

The role of the Financial Ombudsman Service is to provide a free and easy to use service that resolves complaints between consumers and SMEs and businesses that provide financial services across banking, consumer credit, insurance, pensions, and investments and more. Our purpose has never changed, to resolve individual complaints based on what we think is fair and reasonable in all the circumstances of the case. This has remained our focus both before and after the Duty came into force. Our vision is to ensure that every customer, and my customers include both those that bring a complaint and the businesses, receive either a better outcome or are better informed as a result of using our service.

Over the last two years, in support of that ambition, we have restructured our teams. Every member of our casework team is now aligned to an industry sector or is supporting the implementation of cross-cutting initiatives like the Consumer Duty. We have also harnessed the power of digital from transforming the experience of a consumer raising a complaint through our website, to categorising automatically complaints based on the issues raised, to automatically allocating those cases to suitably skilled team members, and providing performance data to support our team's continuous improvement. As a result, over the last two financial years, I'm deeply proud to say our quality scores have improved and the average time it has taken us to resolve a case has more than halved.

This not only helps our consumer customers move on more quickly from an issue, but it also means firms receive more timely feedback and insight from the complaints that we see. We shared this insight with the FCA, having worked with them, as well as with firms and consumer groups, to support the implementation of the Consumer Duty. Together, we've attended events to promote understanding of the Duty and shared insights through our day-to-day working. As Sheldon mentioned, we also cooperate through the Wider Implications Framework, which provides a structure for us to work together when we see issues.

The FCA have already said that one of the ways it will evaluate the success of the Duty is through complaints data, and the Duty says that firms should monitor the quality of their customer service and support by actively looking for evidence such as complaints of where they're falling short.

My team resolved 200,000 complaints last year. We have a bird's eye view of the financial services sector, what works and, according to your customers, what doesn't. We are committed to sharing this insight for the benefit of all. We are doing this in the answers we've given in individual cases and in our regular engagement with firms, highlighting examples where we think that firms may need to do more to meet the higher standards of their Duty, but also where we see successes and best practices from which others can learn.

So what information can I share with you today about the complaints that we've been seeing a year in? We now regularly receive complaints about things that have happened since the Duty's been enforced. Regulatory rules are one of our considerations in deciding cases, and the requirements of the Duty have had an impact on our assessment of what's fair and reasonable in the individual circumstances of each case.

So take complaints about a customer's understanding of a product or service for example. The Duty requires firms to communicate well with their customers and to ensure communications are likely to be understood so that they can make timely and properly informed decisions about products and services.

We receive complaints from consumers about the information that they receive from a firm that it wasn't clear that it caused confusion or that it came at the wrong time. Sometimes firms respond by pointing to their terms and conditions, or the information provided when the customer or the consumer has taken out the product.

But let me give you a real example. A bank emailed a customer to let them know that the interest rate on their savings account was increasing. The email was addressed directly and referred to the customer's type of savings account. When the customer checked online and saw the rate hadn't changed, they thought there was a mistake and contacted their bank. Over three weeks the customer's inquiry was passed to different people in various teams, but no one seemed to understand what had happened and some of the information was conflicting. It was only after a complaint that the customer received an explanation. The increase didn't apply because of the balance held in the account. However the customer felt they had spent a lot of time chasing a simple answer.

And in this case, as in so many others, there is a real benefit to the firms themselves in actively considering the root cause of that complaint. In this case the firm too would've benefited from being clearer upfront.

When you hear from customers who have not fully understood the rules or terms, it is a prompt. It is a prompt to revisit how you're describing products to customers, and at which points on that journey the customer needs contact, reassurance or a simple reminder.

Overall poor administration and customer service continues to be one of the biggest areas of complaint. This could be about poor service, lack of timely support or broken promises.

For example, a customer asked a credit card provider to contact him in writing only. It was a distressing time in his life and it helped him manage the communication and take support when he needed it. His credit card provider agreed to this, but continued to call. After repeating his request and explaining that distressing situation, and that the agreement had been reached with the firm several times, even though the details had been recorded on the firm's system, the customer eventually complained just to get the calls to stop.

In this case too, had the customer's needs been taken into account, the firm would've been able to resolve this issue much more quickly benefiting themselves as well as the customer.

Since the Duty has been enforced, we've continued to see complaints where customers have said a firm hasn't considered or met their individual needs.

The Duty puts a strong emphasis on delivering support to meet the needs of vulnerable customers, building on existing guidance for firms and obligations under the Equality Act. We do sometimes see though cases where businesses have stuck rigidly to standard processes, yet where the situation is far from standard.

One customer told us that they had a health condition and traveling to a branch would be difficult. The bank still insisted that they had to have physically attend the branch to carry out a transaction. There was no offer, there was no explanation or consideration of an alternative.

Firms can't immediately always make adjustment the consumer customer has originally asked for. But in the best examples we see of which there are also many, rather than focusing on what the firm can't do, and trying to justify it, those firms focus on finding a solution to help the customer.

The way a firm responds when a customer asks for an adjustment or additional support is critical in making sure they don't face unreasonable barriers to communicating about or accessing a product or service. Yet we do still see cases where the firms are more focused on closing the complaint than supporting the customer or understanding the origin of the issue.

Your team should understand their role in delivering the Consumer Duty and the true value of good complaints handling, as well as the role of insights of complaints, insight in designing and delivering a product or service. By taking the time to listen and understand the customer's concerns, firms can get a better picture of how problem has impacted that customer and many others in a similar position. By looking at quantitative data, firms can establish where problems are occurring and where the opportunities for improvement exist.

This is a win-win. Good complaint handling can repair a relationship, build trust and confidence in financial services, and give customers a better understanding of what's happened, helping to resolve the case in the truest sense of the word.

As a final thought, I'd like to ask you to think about your firm's complaint handling by considering a couple of questions. Do you treat your customers as you would expect to be treated in their circumstances? How can you use the complaints insight we share with you directly and the information we publish more generally to proactively address issues, take action to rectify any detriment, including paying any compensation properly and demonstrate your firm's progress in embedding the Duty at every level of your organisation.

We want to help firms remove the need to complain, or respond to complaints well themselves, without the need for the case to come to us. I'm passionate about the role we can play in this and I look forward to working with you all on the next stage of the Consumer Duty. Thank you.

Jo Legg

Thank you, Abby, for that insight into what you've been seeing at the Ombudsman and on your approach.

I'm particularly struck by the points you made really about stepping into the customer's shoes and about being proactive, and I think those make a great point or platform to jump into, if you'll forgive the tenuous frog pun, our panel session.

So if I can ask Abby to come up and take a seat and our other panellists will join.

I'm delighted to welcome Therese Chambers, joint executive director of enforcement and market oversight, Graeme Reynolds, director of competition, and Dominic Cashman, director of authorisations.

Our panel will be reflecting on the first year of the Duty and what comes next, and as they do so, they'll be looking to answer as many of your pre-submitted questions as they can. We had hundreds and hundreds of these come through to us from you all, so we won't be able to answer them individually otherwise you might spend the next year here. But what we've been doing is to identify key themes, and panellists will cover those that were raised most frequently.

Now, to kick us off, I want to pick up on one of the major themes from both speeches and something on which we received a lot of questions, and that's the positive changes that firms have been making in light of the Duty and their impacts on consumers. So, I'd like to start by coming to Graeme and asking if there are any standout good practices we've seen that we think should be adopted widely across all businesses.

Graeme Reynolds, Director of Competition, FCA

Yeah, thanks Jo. And what I'm going to pick up on here is a theme around culture. I know you have that come through in some of the speeches just now, and we know culture is absolutely crucial for firms. Firms that are best at delivering the Duty really have a healthy culture aligned with their customer's interest, and when we see that really working, it flows right the way through the business from boards or whatever the senior level governance area is, right the way down through to product design and teams that are implementing and delivering products.

And there's a few bits I'd like to just touch on. So firstly, looking at the Duty holistically, you heard Sheldon talk about that in his speech, I'll just touch on that, putting the customer at the heart of the firm's approach, and then making space for healthy challenge.

On the first piece, the sort of holistic approach, I think it's really important that firms take a holistic approach to the Duty, and what we mean by that is not focusing on individual those cross-cutting outcomes, it's really bringing everything together and making sure that sits at the heart of their assessment.

A great example of a firm doing as well is not just focusing on price. It's clearly very important, but also thinking about customer understanding, the way their customers are supported, and that they're given the right choices of products and services that are available from that firm. And when those are all right, we see a really healthy delivery around the Consumer Duty.

Second piece on customer lens, we've seen some really good culture shifts in some firms over the last year or so. Indeed, some have changed their purpose and values to align much more with the Duty. Some have updated their internal cultural and training materials to reflect this. One firm in particular has updated the customer interaction points and material so call centre scripts, for example, so training staff are much better equipped to be able to deal with customers when they ring up. Others have really implemented much more of a data-led approach, really thinking about what their customer's characteristics are and thinking about what data they need to gather from those customers in order to address those four cross-cutting outcomes.

And in all those cases, where we see it working best, is firms not thinking about it just as compliance, but thinking about it in terms of actually delivering something that customers want.

That brings me then to the third thing, which is on challenge. And I think where we see a really healthy challenge culture in firms that has been really a successful ingredient in delivering good outcomes. Two things to pick up there.

First off, board champions. Now, I know this is a bit of a marmite topic among some firms. Some of you love it and some of you hate it. But when we've seen those board champions in place working effectively, we've seen they've really been able to help deliver changes within those firms and challenge the way decisions are being taken. And that's particularly important as we move into the next phase, and board champions will remain important as we move into implementing the Duty for closed products and services.

And then secondly, board reports. One of the ways that firms can have a real impact and give challenges for boards to use the reports that are being given to them to actually provide challenge to their executives, their product delivery teams. And where we've seen that working most effectively is where it's been blended with board champions as well.

Now, I know as Sheldon alluded to, we've got an awful lot of smaller firms on the call. And one of the things that's really important is for us to be clear, this is not a one size fits all solution. That is the whole point of the Duty. It gives flexibility for how firms can operate and we want firms to have the flexibility to be able to deliver in the Duty, but have the confidence to do that as well.

And I think board reports are a really good example around how we try to give that flexibility. We've not been prescriptive about what we think it should be in terms of length or format. We want firms to have the flexibility to be able to do that in the way that makes most sense for them. And particularly for smaller firms, we know that some of those challenges are going to come around aspects like assurance. Smaller firms won't have a sort of three line of defence model necessarily, but what they can do is look at how they can bring in effective challenge from other mechanisms to make sure they're thinking about how they're delivering on the Duty.

And we'll continue to try to help firms of all different sizes in this by making sure we're putting out aspects of good practice and poor practice. So you can see how to take on some of those best practices that firms are using across all different sectors and indeed within particular sectors as well.

Thanks, Jo.

Jo Legg

Thanks, Graeme. That's great. A lot in there, especially on culture, I think, and a right-sized approach across a whole firm. So Therese, can I come to you to ask for your reflections on this one?

Therese Chambers, Joint Executive Director of Enforcement and Market Oversight, FCA

I just cannot emphasise enough the importance of culture to the change that has been brought by the Consumer Duty regime. I'd just like to add a couple of further reflections to what Graeme shared.

For me, part of a healthy culture in this space is also around a culture of continuous improvement because that's essential, right? The world does not stand still and neither can any of us. And I think part of that culture of continuous improvement is also around responsiveness.

So responsiveness to the best practice examples that we share and circulate, responsiveness to any individual points that we, as a regulator, might raise with you. Taking those points on board and understanding them and seeking to build that into your culture of continuous improvement, I think is really important.

Jo Legg

Thanks, Therese. That's great to hear too. And turning to Dominic, what sorts of things are you seeing at the gateway, which is clearly such a crucial point for firms to show their intention and approach to the Duty?

Dominic Cashman, Director of Authorisations, FCA

It's evolved a bit over the last period since the introduction. So when it first came in, often what we saw was an application and then an addendum, and here's what we're doing about the Duty. And actually we see much less of that now and we see much more of the Duty being woven through all parts of the application.

And I think as Graeme said, it's becoming part of what firms do and part of the culture. And then when we talk to applicants, they're able to articulate how it's working and how they're going to apply it and they're thinking about the outcomes. So that's really pleasing to see.

Jo Legg

Fantastic. Absolutely. And a great point for everyone on the line to pick up on as well when they're thinking about varying permissions or anything like that too. It's not just new permissions, right?

Abby, considering all this in the round and picking up maybe on a few of the examples from your speech as well, what's your view on standout good practice that can help firms avoid issues with complaints?

Abby Thomas

Well, first of all, let me just set a little context that of course, I have a picture that is perhaps slightly different from the FCA colleagues in that I only see those cases where a problem has occurred or is perceived by the consumer customer to have occurred. They haven't been able to raise it with a bank or financial services institution, which is always where we would ask them to seek help first and only then does it come to me.

So I see only those complaints that have arisen in the first place that haven't been resolved at an earlier point in the journey. Yet, I do often reflect on the fact for every one complaint I see, there are probably a hundred other instances that look very similar, feel very similar, provoke that emotional response from the complainant that

never come to me. So that's why I think our complaints insight is so incredibly rich and valuable.

When I look at best practice, and we see a lot of really good practices, I should absolutely note at this point we are more likely to find in favour of a business than we are a consumer when we resolve our disputes. And that is more likely to be the case because we do see great examples of businesses that have sat down and thought, what is the end-to-end journey for this customer? How does it feel to learn about the product or service to be onboarded, to start using that product or service? And then to make any of the changes they might wish to make, to renew, to upgrade, to transfer, to use the product to its full extent.

So sitting down and mapping out that customer journey and really trying not just to look at a picture on a PowerPoint slide, but match that analysis with your real-life experiences, listening to calls, reading customer emails, understanding what your customers are actually saying that to you.

Those firms that are doing that every day have a real advantage, I believe, because it really helps them to walk a mile in their customer's shoes and determine what would be appealing, what would be a good experience, not just in the straightforward cases, but where that customer maybe has a slightly different need or a slightly different expectation.

So that would be my call to action, really. Really think about that customer experience and do it in the spirit that Therese mentioned, in the spirit of curiosity, the spirit of inquiry, the spirit of continuous improvement. Because everybody wins then, the firms win and the customers win as well.

Jo Legg

Brilliant, thank you. I think that's a really neat way to summarise a bunch of what's just been discussed with that focus on the end-to-end customer journey as well, and that spirit of inquiry and improvement.

Turning slightly to a different topic, we've had a lot of pre-submitted questions also about where we are seeing key challenges in firms implementing and embedding the Duty.

So Graeme, I'm going to come back to you to start with, to ask what aspect of implementing and embedding the Duty do you think firms have found most challenging?

Graeme Reynolds

Thanks, Jo. And from conversations we had with a number of firms and looking across different sectors, there's two things that really stand out.

One, fair value assessments, so that wouldn't surprise you. The price and value outcome has been challenging for a number of firms to think about and get their heads around. And then secondly, outcomes monitoring. So let me deal with each of those.

First of all, on fair value assessments, I think it's fair to say this has been a big change for firms think about how to think about and assess fair value on many of their products.

And we've been seeking to work with firms a lot over the last year in making sure that we're tackling some of the questions that they're asking and helping them move into thinking about different ways of putting in place the fair value assessments they need.

We're committed to continue to share lessons on what we're doing in relation to that. We'll put out good and poor practice in relation to fair value assessments that we've seen from those that we've looked at so far.

I'm going to draw out just five areas that we think are the key ingredients for a good fair value assessment and hopefully, that is something that's helpful for you and thinking about taking that forward.

So first off, really good benchmarking. And by that I mean using that as a starting point and not just the only assessment that you're making. Thinking about who the right comparable firms are and what the suitable comparable products are.

Secondly, solid data and credible evidence. Any fair value assessment needs to be underpinned with some evidence, whether that be quantitative or qualitative evidence that really get an understanding of what your customers think and how you are seeing those products bought and understood in the market.

Third, clear consideration of customer cohorts based on the target markets. A lot of people have asked questions around, well, how do I think about those customer cohorts? Well, think about the types of people that are buying your products, different channels they might go through, different characteristics of those, really trying to pick out where there might be characteristics that potentially are more affected by some of the ways in which the product is sold. So particularly those vulnerable customers.

Third, a clear examination of the total price paid relative to the benefits that customers are expected to receive over their lifetime. And actually that's quite an important consideration to take a really holistic approach to thinking about how that price compares to those benefits over a number of years as well.

And then lastly, the bit I touched on earlier, which is the holistic aspect of this. So thinking about it not just in terms of price and value but also in terms of customer understanding, customer support and the options that customers are being given. Taking together, that's what allows you really to get into the heart of whether customers are receiving fair value. So that's on fair value assessments.

Secondly, outcomes monitoring. We get a lot of questions around, well, what should I be looking at? What data should I be using? We give quite a number of examples of this in the [guidance](#), so I definitely recommend looking at that.

But key to this is really putting yourself in the customer's shoes. We've heard that in quite a number of points around what people should be thinking about. Understanding what it is about customers, is about the issues that they're facing, and of course, thinking about then what actions one might need to take to reflect that. When you're trying to take those actions, thinking about what information you would need to monitor the effectiveness of those actions.

I'm going to draw your attention to one publication we put out. My colleague, Matt Brewis, director of insurance, led this work, which is [good and poor practice for insurance](#). It was published in June. I commend you to reading that, largely because I think it draws out five, again, not everything's in fives, but in this case it is, five key ingredients that we had for clear outcome-focused monitoring. Again, I'll just share that with you because I think it's helpful context for things that you might take forward in terms of what you're looking at.

So first, clearly defined outcomes specific to the business model. So thinking about the business model and thinking about then what outcomes link to that.

Second, a mix of qualitative and quantitative data types used to spot trends and emerging issues. Particularly in the insurance area what we saw was really good understanding of looking at the root cause analysis in relation to complaints and understanding why particular complaints were arising and what could be done to address those.

Having spotted those, the third ingredient then was around how those are used to identify particularly poor outcomes. And once you spotted those poor outcomes, really then the fourth ingredient, taking action in relation to those and working out how to take action.

And then lastly, thinking, having done that, are we evaluating what those changes are? How are we evaluating effectiveness? And that gives you that life cycle through, the spot the issue, identify what to do about it, and make sure that the actions you are taking are following through and making a difference.

And I'd very much encourage you to look at that document, some of the issues that we've got on our website in relation to good and poor practice as well. We think those provide quite a helpful steer in overcoming that outcomes monitoring difficulties that many firms have been facing. Thanks, Jo.

Jo Legg

Fantastic. Thanks, Graeme. Again, a lot in there in terms of themes for people to pick up on. And Dominic, if we can return to the gateway considering some of that as well. What have you seen that firms have been finding most challenging?

Dominic Cashman

A couple of things. Firstly, I think we see a small number of applications where the structure of what's being applied for seems to make it very difficult for good consumer outcomes, whether it's the target market, whether it's the duration of the product, perhaps combined with exit fees.

And when we challenge the firm on how that delivers a good consumer outcome, they're often not able to articulate why that is. And to be honest there, the Duty is a very important tool for us in being able to deal with those kinds of applications.

I think something else we see that firms have a problem with is where perhaps they've worked with consultants who have given them very good high-quality applications to work with, but then when we talk to the firm, they're unable to translate exactly how that works into practice for their own business.

And certainly, I would encourage those firms to perhaps spend a bit more time with the consultant and work through exactly how it works and how they will explain to us and then be able to explain to their customers how that will work in practice.

And I would absolutely draw people's attention to the [guidance](#) that we've published on the website. We've spent a lot of time over the last couple of years giving a lot more extensive guidance, a lot of upgrades to that. So definitely worth people spending some time looking through all of that through the application process.

Jo Legg

Brilliant. Thank you very much, Dominic. And Abby, from a FOS perspective, what areas are you seeing that seem to present the biggest challenges to firms?

Abby Thomas

So in some respects, when the Consumer Duty was, as I say, first announced all the implementation plans were being developed, we set out our stall that we didn't necessarily think it would dramatically change the way the Financial Ombudsman Service does that role, performs our role, because what we felt was the Consumer Duty really enshrines the need to consider good outcomes.

We have always been predicated on the principle of fair and reasonable as are the consumers or the SME complainants being treated in a fair and reasonable way by the business with whom they have a relationship. They feel very similar and very aligned to me.

So as anticipated, to a certain extent, we're seeing the same themes that we have always seen. But I would say that the traditional Financial Ombudsman Service complaint probably is oriented around what I would call the beginning or the end of the customer life cycle.

So the beginning being the point at which the consumer is sold the product or onboarded onto the product, the end being the transfer, the renewal, the upgrade, and so on. The claim maybe. Those are the points at which we have always received a lot of complaints from consumers who don't feel like they've been treated fairly.

I think we are keeping an eye out for price and value, fair value complaints. I'd really echo the comments that Graeme made in some respects. When customers talk about value, they're not necessarily talking about the sticker price. They are really talking about, did I get the service I was expecting? Did I understand what I'd really bought in the first place? There's such an important role there for good consumer understanding.

What we're also doing is making sure as we see any theme emerge, we're sharing that insight in a timely way with the FCA and those colleagues because again, I think that's a great way for the system to learn and improve. So I would say it is an evolving picture for us. The key priority we have is to share that insight with FCA, with firms directly and more generally through our website and social channels as well.

Jo Legg

Thanks, Abby. That's really helpful to hear. And I think actually steers us into a question for Therese building on this conversation around challenges and based on

what we've been hearing from other panellists, we've been asked whether the FCA has taken any enforcement action against firms in relation to the Duty, and if so, what form that's taken. Can you pick up on that a little bit, please?

Therese Chamber

Yeah, absolutely. People are always really curious about what is the role of enforcement in relation to the Consumer Duty. Is that a sign of a guilty conscience? I sincerely hope not. I sincerely hope not. I think, as an organisation we've been clear from the outset that we are going to take a proportionate approach across the board, recognising that this is a very significant shift for firms to adapt to in meeting these new higher standards. And you will have seen the way that we've been engaging with firms has been really collaborative, trying to educate, trying to discuss, trying to illuminate.

So, our first step in this program of work has absolutely not been to reach for the big stick. It has not been to reach for the big stick. And in working with firms collaboratively, let me tell you the type of thing that might actually make my ears twitch.

So, the type of things that might make my ears twitch is where we see a firm or a cluster of firms that are clear outliers in the way that they're operating. Now, being an outlier isn't necessarily a bad thing, but it will be important to understand the reasons why that firm is an outlier. And I hope there will be a good explanation for that. If, in fact, there wasn't a fantastic reason for that gap between a firm and its peers, we would expect a firm to be responding in a positive and constructive way to the feedback that we give.

So, basically, what I'm saying is if we see a problem, we'll call it out, we'll ask you to fix it. If you don't fix it, I might be knocking on your door.

Jo Legg

Thank you. Very clear, I think, for everybody. And this speaks to one of the themes that came out in the speech, I think, a little bit, and a number of questions that we've had in pre-submitted. This piece around why aren't there more specific guidance or templates under the Duty, so that firms know exactly what's required of them? And that's obviously something we're picking up in our Call for Input that was published on Monday. So again, encourage you all to engage with that. But just for now, Graeme, I wonder if you can give a quick response on this for everyone listening?

Graeme

Yeah. Thanks, Jo. So, look, first thing to say is there is quite a bit of guidance out there on the [FCA website](#) in terms of actual guidance linked to the duty, but also lots on good and poor practice as well.

I think, really important with this is, we've always said the Consumer Duty is an outcomes-based regulation, therefore it's not about having loads of prescriptiveness sitting around it. That's one of the reasons why we moved to that type of approach, to give that flexibility. And flexibility is key here. We talked about it earlier. We want firms to feel that they can adapt and deliver good customer outcomes without us telling them specifically how they need to do that. It's part of the culture shift we're trying to see, part of the outcomes-based shift we're trying to see in what we do. So,

we think that's a really important way of putting some of the control back into firms in terms of how they deliver those outcomes.

I mentioned good and poor practice. One of the main things you'll see from us is continue to share those examples. As Therese says, this is very much about educating and informing people. When we see good things from some firms, we'll share those things and make sure other firms can potentially pick those up. When we see some poorer behaviours from some firms, we'll share those, to make sure people understand what we're not expecting to see as part of the Duty.

Last thing to say on this is that, as Jo just said, we put out this Call for Input this week, in relation to trying to think about whether there are other aspects of our rule book where we might be able to potentially change some of the rules we've got, remove some of them, given the Consumer Duty is now there as a form of protection for consumers and creates that outcomes-based approach to regulation.

We know that many firms feel a little bit differently about the level of prescription that one might have. Some firms really like a little bit of prescription in what they need to do. Some firms really want that flexibility. And one of the things we want to explore through that discussion, is when is that prescriptiveness really helpful and important and when, actually, do you want that greater flexibility? And we think that really comes through when we look at firms of different sizes as well. We know that some small firms want to have some of that flexibility. Some small firms want that prescriptiveness. So, we'd like to make sure that is a central part of the discussion that we have over the coming months as well.

Jo Legg

Thank you very much, Graeme. So, final theme for the panel now then. We've had a lot of questions come through about what success looks like for the Duty in the coming year, and how we're going to measure that at the FCA.

I'll ask Abby and Graeme to pick this one up initially, and it would be really interesting to hear a little bit about what success looks like for the FOS as well as for the FCA, and perhaps you can both say something about how the FCA and the FOS will continue to work together over the coming period within that as well.

So, Abby.

Abby Thomas

Well, I hope that we do continue to work together as constructively as I feel we've worked over the last year, and more, and more, year and a half, from my perspective, really. I think the secret to that relationship is while we have independent roles, our roles are very complementary. My view of the world, which is derived from case-by-case analysis of last year, 200,000 different customers telling us how they felt they'd been served, I think it's absolutely invaluable to FCA colleagues and I'm delighted to share it and use that to inform your more thematic approach. Similarly, where you have guided us, we've been able to apply that to our casework too. So, partly it's just about continuing that good collaborative working.

I think though, in terms of what good would look like, I do think, using Sheldon's analogy, firms for the most part really did eat that frog. And that was a fantastic approach that was taken to the open book implementation. We're now in closed book.

That will bring some slightly different challenges. We all know that there'll be some issues with going back through historic data, looking at historic agreements, and so on. But I think if that same spirit of challenge and inquiry that is applied by the best firms across their operations can be applied by all firms, my job becomes very much easier and I will receive many fewer complaints, which I look forward to.

So yeah, that would be my answer really continuing to collaborate with the FCA and more broadly, and encouraging firms to act as the best are acting. That would be a really great success story this time next year.

Jo Legg

Thanks, Abby. Graeme.

Graeme Reynolds

Thanks, Jo, and thanks, Abby. Definitely, working together with the FOS has been a fundamental part of taking this first year, taking our learnings, hearing from the FOS on some of their learnings as well, making sure we're sharing information about the nature of complaints that are coming through. And as Abby said, really thinking about where some of those themes are emerging. So, if that is the case, we can think about the sort of steps we might need to take and ensuring that consistency comes through in the way we're addressing those issues.

I think, and more broadly on success measures Jo, I think one of the things that's really when we are trying to think about how we recognise the Duty as being successful, we focus on a couple of things really.

So, first off is making sure that the level of consumer trust in the sector is increased. Sheldon talked about the importance of consumer trust and confidence being a key driver of growth in the UK economy. We think it is really important for the way in which consumers interact with their financial services firms. So, we want to see that increase. We have a Financial Lives survey we undertake each year. That is a real indicator for us of how that trust index is moving amongst consumers, and we'll keep focused on that and look to see improvements in that over time.

Second, I think the other way we can really tap into that is around complaints data that the FOS shares with us and complaints data that we see coming to us as well, where we want that to reduce over time. We want that to reduce not because consumers don't know how to get in touch with their firms. We want that to reduce because consumers don't see the need to complain as much anymore, because they're receiving good service. And when those complaints do go through the FOS, we want to make sure that there is a reduction over time in the number of upheld complaints as well, because that would be a good outcome for everyone concerned.

Away from that and that sort of data-led approach, which obviously we like to take a data-led approach, we want you to take data-led approach in relation to the Duty as well, to other aspects that we are really looking for as success measures from the Duty.

The first off is in a couple of years time we will carry out a post-implementation review of this work. We need time for, obviously having the first year go through with the open products and services, now with the closed products and services as well. That post-implementation review will enable us to look back, see what's worked well,

see what hasn't, and learn from that. But, of course, we'll be learning throughout that process and time period in the run-up to then anyway, with the interactions we have with you.

And then lastly, and this links into the Call for Input, we talked a little bit about seeing more innovation from firms. I think this isn't just about, it's not solely a purely consumer protection piece. It's about seeing the way in which firms are delivering different ways of interacting with their customers, ways which deliver good outcomes for consumers. We want to see more of those innovations coming through. We want to see more firms engaging with us through our sandboxes and our innovate functions as well, where they've got ideas about how better to deliver consumer outcomes that very much link in with the Consumer Duty. So, that would be a real third sort of success area for us. Thanks.

Jo Legg

Brilliant. Thank you. We are running quite well on time for now. So, Therese, Dominic, did you have any reflections on the success point that you'd like to share as well?

Therese Chamber

Yeah, I'm just finding it really interesting actually. Sheldon alluded to a number of examples of where we have seen firms change their business practices, change their business models, that is directly in response to the Consumer Duty. I think all of that is happening very visibly. I think there is a change in the public dialogue about the value of the Consumer Duty. And I think those instances are really demonstrating in a very public way, actually, the positive impact of this change in regulation and the way in which actually some firms are really embracing it and understanding that it is a way to change their business model for the better. Happy customers, happy days, right?

I think there are plenty of public instances for all of us to see. That's kind of a soft piece of data, Graeme, isn't it? Because it's harder to bring that together in a systematic way. But yeah, it feels broadly positive in a way that I think the conversation around the Consumer Duty prior to implementation was not that positive and there was a lot of worry and concern about that. I think, in practice it has operated well.

Jo Legg

That's great. Thanks, Therese. Dominic.

Dominic Cashman

Success for us is being able to say yes to more applications more quickly. I'm director of authorisations, not refusals. And I think as increasingly we see firms having thought through the Consumer Duty, with that, we're going to be able to do that. So, quite pleased that things are working in that direction.

Jo Legg

Fantastic. Thank you to all the panellists. And that final question, I think, brings us to the end of this session.

I hope you found the insights across this morning substantive and useful. Your feedback is really valuable to us. So, I'd encourage you to take a moment to answer the closing poll on Slido. As before, you can do that by scanning the QR code that's on screen, or for those of you at home, you'll have one on your screen too, but you can go to [slido.com](https://www.slido.com) and enter the code this time, which is 271369. It's 271369 for those of you using [slido.com](https://www.slido.com).

In the brief time that we've had this morning, there'll be a lot of issues that we weren't able to cover or you may also have specific questions off the back of this for your firm. So, I'll take the opportunity to remind you, as other panellists have across the morning, that we have a full range of information on [our website](#) that we keep updated. This includes our policy publications, our podcasts, which are an excellent listen, and the finalised guidance, which contains a wealth of good and poor practice examples covering all aspects of the duty. So, please do make sure that you keep up to date with what's on the website.

For smaller firms, we also have our supervision hub where colleagues can provide guidance on technical questions you have too.

If you want to re-watch the live stream or share it with colleagues, it will be available on-demand via those Consumer Duty webpages. And I think, at some point, a link to those might appear on a screen. If not, you know where they are.

And for those online, thank you to all of you for joining us today. I hope you enjoy the rest of your day. Perhaps you take a nice walk in the sunshine past a pond, see some lily pads, feel inspired. And we're going to end the live stream now.