

CONSUMER DUTY

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HEAVY LIFTING



Consumer Duty Jargon Buster

The Consumer Duty brings with it some new terminology, so to get you up to speed quickly, we've put together a list of the most frequently used terms, along with a brief explanation.

The four consumer outcomes – explained



Products and services

Designed to meet the needs of consumers and distributed appropriately.



Price and value

Products should offer 'fair value' to consumers, i.e. balance between the price of the products and services with their expected benefits.



Consumer understanding

Understanding through communications designed to enable consumers to make informed decisions.



Consumer support

Designed to meet the needs of customers throughout their relationship with the firm, enabling them to realise the benefits of products and services.

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Our Jargon Buster is in alphabetical order, or you can use the ‘find text’ option to search for a specific term.

Co-manufacturer	Insurance intermediaries who have a decision-making role in the design and development of insurance products.
Conduct Rule	Majority of employees are already subject to Conduct Rules. Consumer Duty introduces a new Conduct Rule ‘To deliver good outcomes for retail customers’.
Consumer Duty	New FCA requirements setting higher standards of consumer protection across financial services.
Consumer Duty Champion	Typically, a Board member whose role is to ensure Consumer Duty is raised and discussed, to provide challenge.
Consumer Duty notifications	Distributors must notify a firm if they identify any problems with how a firm’s products are operating in practice, if they identify any products that are not providing value or become aware of communications of the firms that aren’t delivering good customer outcomes.
Cross-cutting rules	Overarching requirements that set standards of conduct: <ol style="list-style-type: none">1. Firms must act in good faith towards customers2. Firms must avoid causing foreseeable harm to customers3. Firms must act to enable and support customers to pursue their financial objectives
Differential outcomes	Includes differential pricing for different groups of customers – firms should make sure they can justify differential outcomes.
Distribution chain	Covers all parties involved in the design and distribution of a product e.g. insurer, broker and the end customer.
Distribution strategy	Document that confirms how products should be distributed e.g. non advised, face to face.

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Fair value assessments	The product handbook requires that a manufacturer conduct an annual review of their products and assess whether the product remains consistent with the needs of the target market, is designed to meet the needs of the customer, and whether the distribution strategy remains appropriate.
FCA	Financial Conduct Authority.
Good customer outcomes	Firms are required to deliver good customer outcomes. This is a higher bar than treating customers 'fairly'.
Manufacturer	Who provides the product or service i.e. Insurer.
Outsourcing	Where a firm performs a process, service or activity on behalf of a firm which the firm would otherwise carry out itself. Delegated Authorities are a form of outsourcing where insurer outsources activities such as underwriting.
PRIN	Principles of business – FCA has 12 principles of business – principles by which they expect firms to be governed.
PROD4	FCA handbook which includes rules around the design, approval, distribution, governance and ongoing monitoring of products.
Reasonable foreseeable harm	One of the three cross cutting rules. Designed to encourage firms to think about whether their actions or omissions could lead to customer harm.
Sludge	Sludge is about potential barriers that stop customers acting in their best interest. It's the opposite of 'nudge' which prompts customers to act in their interests.
SMCR and accountabilities	Senior Manager and Certification Regime. An existing regulatory regime focussing on ensuring clear responsibility with accountable individuals. SMCR interacts with Consumer Duty e.g. in defining accountable owners for key activities.
Target market	A specific group of people with shared characteristics that products are sold to.
Unreasonable barriers	Barriers that may prevent customers in acting e.g. long wait times to answer calls.
Vulnerable customers	Someone who, due to their personal circumstances, is especially susceptible to harm.

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