For Professional Advisers Only

embark group

# QUICK GUIDE TO CONSUMER DUTY OUTCOMES

The new Principle behind the Consumer Duty is that **"a firm must act to deliver good outcomes for retail customers."** This sounds sensible – after all, who would object to the idea of helping their clients achieve what they want? But its implications are far-reaching for adviser firms – particularly since the FCA require evidential proof that good outcomes have been achieved.

## 2 PRICE AND VALUE

### WHAT DOES PRICE AND VALUE MEAN?

The FCA want firms to make sure that clients are receiving "fair value" from products and services. They need to show that the costs clients pay are "reasonable" in relation to the benefits they receive. "Reasonable" is a key word. It indicates that this is a rational assessment process looking at quantifiable benefits and costs. It will not look at subjective benefits such as brand loyalty, personal acquaintanceship, or peace of mind. The aim is to eradicate hidden or undeclared future costs which might cause harm to clients.

### WHAT DO YOU NEED TO DO?

This is a hard outcome to evidence because it asks your firm to weigh up every aspect of a product's suitability. For example, it requires your firm to show awareness of costs that might be triggered in the future, and of costs likely to be incurred at different stages of the product supply chain.

**Your firm is required to:**

- **Assess the total cost of a product to a client**, including advice, platform and provider charges, plus likely future costs such as those caused by contract breakpoints.
- **Show value-adding benefits** such as extra features, better support systems, superior convenience.
- **Demonstrate that "fair value"** to clients has been achieved by "reasonably" balancing costs and benefits.
- **Monitor value over time** to ensure it does not deteriorate over the lifecycle of the product, or because of changes in the client's circumstances.

- **Act to make changes** if anything materially affects the value the product offers clients.
- **Check that products offer value to all client groups**, being especially careful with vulnerable customers who might fall into arrears, triggering cost escalations.
- **Check that older products are keeping their value** in relation to newer products of a similar type in the current market.

### Your firm is NOT required to:

- **Consider factors you cannot control**, such as market fluctuations or political interventions.
- **Price-cap products**, because "value" can be created at all price points. If suitable benefits can be demonstrated, then a higher cost can be reasonable, especially when innovating products or services.

## How do you achieve this?

Your firm's Consumer Duty champion needs to work with your board to assess fair value across your products, and your firm must proactively make changes if fair value is not being achieved. The frequency of assessments should reflect the product's complexity and any indications of client harm. Your firm will need to show evidence of these value assessments to the FCA, using sources such as:

- Management information documents
- Records as outlined in the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)
- Profitability data, including profit margins
- Surveys and other forms of customer research
- Usage data for web and apps
- Operational data that might affect value, such a website outages
- Product retention and switching data
- Analysis of and responses to any complaints.

You can find more details about the issues this outcome brings up in the FCA's **study of fair pricing in financial services**.

Don't forget to check our other Consumer Duty quick guides:

**Products and Services**, **Consumer Support** and **Consumer Understanding**