

# 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.



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### CONSUMER UNDERSTANDING



#### WHAT DOES CONSUMER UNDERSTANDING MEAN?

The FCA want firms to make sure that clients understand what they are being told and sold. The idea is that if they understand fully, they can make properly informed decisions and are more likely to achieve their financial goals.

#### WHAT DO YOU NEED TO DO?

You need to make every effort to ensure that your communications are clear, relevant and transparent about risks and rewards. These efforts can be usefully broken down into two stages: **how your communications are created**, and **how they are monitored and tested**. The latter stage will be important to demonstrate how you have worked to achieve this outcome.



#### Create clearer communications

- All communications should follow established **clarity guidelines**, such as using **plain English**, using **subheads** and visuals to guide the reader's eye, **layering** with digital links, and ensuring **consistent terminology** across touchpoints.
- Particular care should be shown with communications that directly impact clients' decision-making, such as **suitability reports** and **annual reviews**. But the Duty's requirement applies to all communications including advertising and PR messages, and materials from providers.
- All communications should be written with the **reader front of mind**, with awareness of any personal vulnerabilities and of critical timings in their product lifecycle, such as contract breakpoints.
- Proper weighting should be given to **risks and costs** as well as potential rewards. This includes charges and fees: the FCA has found that poor disclosure of these has been a consistent problem.



## TIPS

- The FCA isn't asking for every client to be individually addressed, but rather that client bases should be **segmented** for relevant communications.
- **Face-to-face meetings and phone calls** are good opportunities to ask clients if they have understood the latest messages.
- **A checklist** at the end of a document is a simple way for a client to tick off their understanding of each point.



## Test and refine communications

The FCA wants evidence of firms checking the comprehensibility of their communications. This means **testing communications** before release, and **monitoring their performance** after release, so they can be improved if necessary.

- Not everything needs to be tested but new communications and any that have generated poor feedback in the past should be.
- If you don't have something like a Client Communications champion, it's a good idea to appoint or assign one to help manage testing and monitoring.
- There are many ways to test, from simple 1-1 questioning to full focus groups and surveys, but the FCA wants to see evidence of appropriate testing and improvements being made.
- There are also several ways to monitor, such as examining test data, checking where clients followed calls-to-action or dropped-out of digital flows, working on complaints and showing how your company responded to them.

Don't forget to check our other Consumer Duty quick guides: **Products and Services**, **Price and Value**, and **Customer Support**



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