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Briefing Doc: FCA Payments Consumer Duty Multi-Firm Review



Detailed Briefing Document

FCA Payments Consumer Duty Multi-Firm Review

Date: 9th October 2024

Source: FCA Publication "Payments Consumer Duty multi-firm review"

Overview: This briefing document summarises the key findings of the Financial Conduct Authority's (FCA) multi-firm review assessing the implementation of the Consumer Duty within the payments sector. The review involved 23 firms of varying sizes and business models.

Key Findings:

- **Mixed Implementation:** While just over half of the firms reviewed demonstrated satisfactory implementation of the Duty, a concerning number (just under half) require significant work to achieve compliance. This suggests a potential risk of poor consumer outcomes within the sector.
- **Underestimating the Duty:** Some firms displayed a lack of understanding regarding the higher standards demanded by the Duty. They incorrectly assumed the risks associated with payment products are lower compared to other financial products and, therefore, didn't require substantial changes.
- **Target Market Definition:** Many firms defined their target markets too broadly. This might hinder proper risk assessment and identification of consumer harm.
- **Agent Oversight:** Concerns were raised regarding firms' oversight of their agents, particularly ensuring their adherence to the Duty.
- **Fair Value Assessments:** Many firms struggled to provide comprehensive fair value assessments, often relying solely on price comparisons instead of considering the broader value proposition.
- **Consumer Understanding:** Testing and monitoring of consumer understanding of communications remained limited, with some firms relying on inadequate metrics like email open rates.

- **Consumer Support:** Accessibility and clarity of consumer support channels were flagged as areas needing improvement, evidenced by complaint volumes.
- **Governance and MI:** While boards were generally informed about the Duty, evidence of challenge and scrutiny was limited. Additionally, Management Information (MI) systems often failed to effectively track and measure progress against the Duty's outcomes.

Good Practices:

The review also highlighted positive examples, including:

- **Proactive Firms:** Some firms viewed the Duty as an opportunity to improve customer outcomes and align with their long-term business goals. They developed robust governance frameworks and MI systems specifically tailored to the Duty.
- **Effective Agent Oversight:** Leading firms established clear expectations for agents, provided adequate training and implemented robust monitoring processes to ensure their compliance with the Duty.
- **Comprehensive Fair Value Assessments:** Some firms showcased thorough assessments considering various factors beyond price comparisons, including benefits, limitations and overall customer value.
- **Focus on Consumer Understanding:** Firms demonstrating best practice actively tested consumer communications before and after distribution, utilizing methods like A/B testing and customer surveys.
- **Robust Customer Support:** Top-performing firms offered diverse support channels tailored to their target market, including vulnerable customers, and utilised complaints data to identify and rectify issues proactively.
- **Data-Driven Governance:** Boards in leading firms actively engaged in discussions regarding Duty implementation, challenged progress reports and utilised detailed MI packs to assess and address consumer outcomes.

FCA Next Steps:

The FCA will continue to monitor firms' compliance with the Duty and take appropriate actions where necessary. This includes:

- **Individual Feedback and Intervention:** Firms included in the review will receive individual feedback and be required to address identified gaps promptly. The FCA will intervene where necessary, potentially utilizing its regulatory powers to prevent further consumer harm.
- **Mitigation Programmes:** Firms with significant shortfalls and potential risks to consumer outcomes will be required to implement mitigation programmes.
- **Ongoing Monitoring and Thematic Reviews:** The FCA will continue to monitor firms across various sectors, conducting thematic reviews to assess progress on specific Duty themes and issues.

Call to Action for Firms:

The FCA urges all firms to:

- **Review and Reflect:** Carefully consider the findings of this multi-firm review and compare their own implementation efforts.
- **Address Shortfalls:** Take immediate action to address any identified gaps or shortcomings in their approach to the Duty.
- **Prioritize Consumer Outcomes:** Embed the Duty's principles into all aspects of their business, ensuring good customer outcomes are at the forefront of their operations.

Quote:

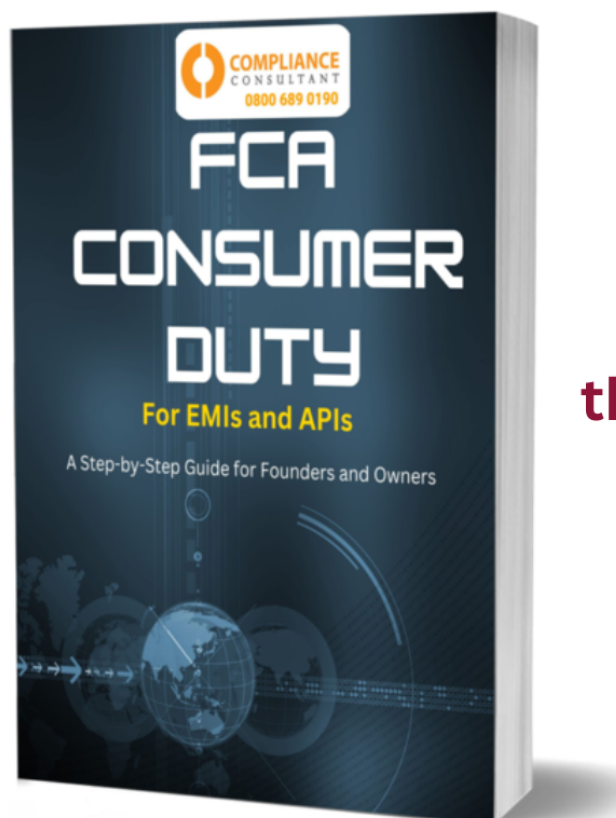
"It is vital that firms have adequately considered the requirements of the Duty and have fully implemented these in a way that is appropriate to their business. This will help to ensure they deliver good outcomes to their customers and can readily

identify and remediate any shortfalls before they lead to significant consumer harm." - FCA Payments Consumer Duty multi-firm review

Conclusion:

The FCA's multi-firm review has highlighted both positive progress and areas requiring significant improvement in the implementation of the Consumer Duty within the payments sector. Firms must take immediate action to ensure full compliance, prioritising good customer outcomes to avoid potential regulatory action and ensure consumer trust.

Consumer Duty & PSPs



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