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# FAQs: Payment Services & Consumer Duty – Multi Firm Review



## FAQ: Consumer Duty for Payments Firms

### 1. What is the Consumer Duty and how does it apply to payments firms?

The Consumer Duty is a set of rules and guidance from the Financial Conduct Authority (FCA) aimed at raising standards of consumer protection in financial services. It applies to all firms regulated by the FCA, including payments firms like:

- 🕒 Payment service providers
- 🕒 E-money issuers
- 🕒 Money remitters
- 🕒 Merchant acquirers
- 🕒 Open banking firms

The Duty requires firms to put customers at the heart of their business and act to deliver good outcomes for them. This means ensuring products and services are fit for purpose, offer fair value, are understood by consumers, and are supported by appropriate customer service.

### 2. What are the key areas where the FCA found shortcomings in its review of payments firms?

The FCA's review of 23 payments firms revealed several areas where improvements are needed:

- 🕒 **Agent oversight:** Some firms lacked robust oversight of their agents and distributors, raising concerns about compliance with the Duty in those areas.
- 🕒 **Fair value assessments:** Many firms struggled to provide thorough fair value assessments, relying on price comparisons rather than considering the overall value of the product or service.

- 🕒 **Consumer understanding:** Some firms showed limited evidence of testing customer communications to ensure clarity and effectiveness in supporting informed decision-making.
- 🕒 **Consumer support:** Unclear signposting of customer support services and high complaint volumes suggested shortcomings in meeting customer needs.
- 🕒 **Governance:** Evidence of Board-level challenge and oversight of Consumer Duty implementation was often lacking.
- 🕒 **Management Information (MI):** Many firms struggled to develop robust MI to track and evidence consumer outcomes, hindering their ability to identify and address potential issues.

### 3. What are some examples of good practice the FCA observed in its review?

The review also highlighted positive practices that other firms can learn from:

- 🕒 **Strong governance:** Firms with robust governance structures and clear accountability for delivering good customer outcomes were better positioned to meet the Duty's requirements.
- 🕒 **Customer-centric approach:** Firms that prioritised understanding their target market and tailoring products, communications, and support to meet customer needs were more successful in delivering good outcomes.
- 🕒 **Proactive monitoring and testing:** Firms that actively monitored consumer outcomes and tested communications for effectiveness were able to identify and address issues promptly.
- 🕒 **Effective MI:** Firms that developed comprehensive MI directly linked to the Duty's outcomes were better able to demonstrate compliance and identify areas for improvement.

### 4. What steps should payments firms take to address the FCA's findings?

- 🕒 Review the FCA's findings and assess how they apply to your firm.

- 🕒 Identify any gaps in your compliance with the Duty and take immediate action to address them.
- 🕒 Ensure robust oversight of agents and distributors.
- 🕒 Conduct thorough fair value assessments considering all relevant factors.
- 🕒 Test customer communications for clarity and effectiveness.
- 🕒 Provide readily accessible and appropriate customer support channels.
- 🕒 Embed the Duty into governance arrangements with clear Board-level accountability.
- 🕒 Develop robust MI to track and evidence consumer outcomes.

### 5. What will the FCA do next in terms of supervising firms' compliance with the Duty?

The FCA will continue to monitor firms' compliance with the Duty and take appropriate supervisory action where necessary. This may include:

- 🕒 Providing individual feedback to firms and requiring them to address any identified shortcomings.
- 🕒 Taking enforcement action against firms that fail to comply, including restricting their business or imposing financial penalties.
- 🕒 Conducting further thematic reviews focusing on specific aspects of the Duty or particular sectors.
- 🕒 Sharing good practice and supporting firms to raise standards.

### 6. What are the potential consequences for firms that fail to comply with the Consumer Duty?

Failure to comply with the Consumer Duty can result in significant consequences, including:

- 🕒 **Reputational damage:** Negative publicity and loss of customer trust.

- ⦿ **Regulatory action:** Formal investigations, enforcement action, and potential fines.
- ⦿ **Legal action:** Consumer claims and potential litigation.
- ⦿ **Financial loss:** Loss of business and revenue.

## 7. What is the role of a Consumer Duty Champion?

The FCA encourages firms to appoint a Consumer Duty Champion, typically a senior manager, who is responsible for driving the implementation and embedding of the Duty within the firm. They play a key role in:

- ⦿ Championing the importance of the Duty within the firm.
- ⦿ Providing guidance and support to staff on meeting the Duty's requirements.
- ⦿ Monitoring the firm's progress in implementing the Duty and identifying any areas for improvement.
- ⦿ Reporting to the Board on the firm's compliance with the Duty.

## 8. Where can I find further information and guidance on the Consumer Duty?

You can find detailed information and guidance on the Consumer Duty on the FCA's website, including:

- ⦿ The FCA's Policy Statement on the Consumer Duty
- ⦿ The FCA's Guidance for firms on the Consumer Duty
- ⦿ The FCA's webpage on the Consumer Duty for payments firms

# Consumer Duty Annual Assessment for PSPs

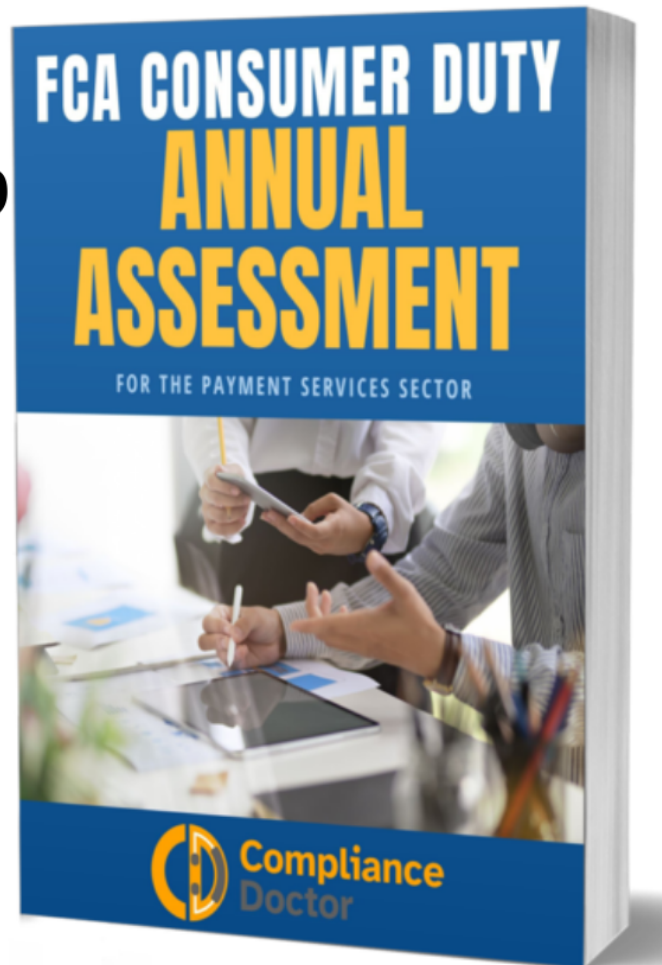
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