

WELCOME

# Regulatory Landscape 2022

00:00

5 May 2022

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# Important Information

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- Other services of a similar nature may be available, or may become available.



# Learning Objectives



By the end of this session, you will be able

1.

Describe the core components of the forthcoming Consumer Duty rules and guidance

2.

Explain the impact of the rules on advisers' businesses

3.

Identify what advisers can do now to best prepare themselves for the new rules and guidance

4.

Explain how meeting the price and value requirements will impact adviser firms.

## Consumer Duty – 5 May 2022



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# The case for change across Financial Services

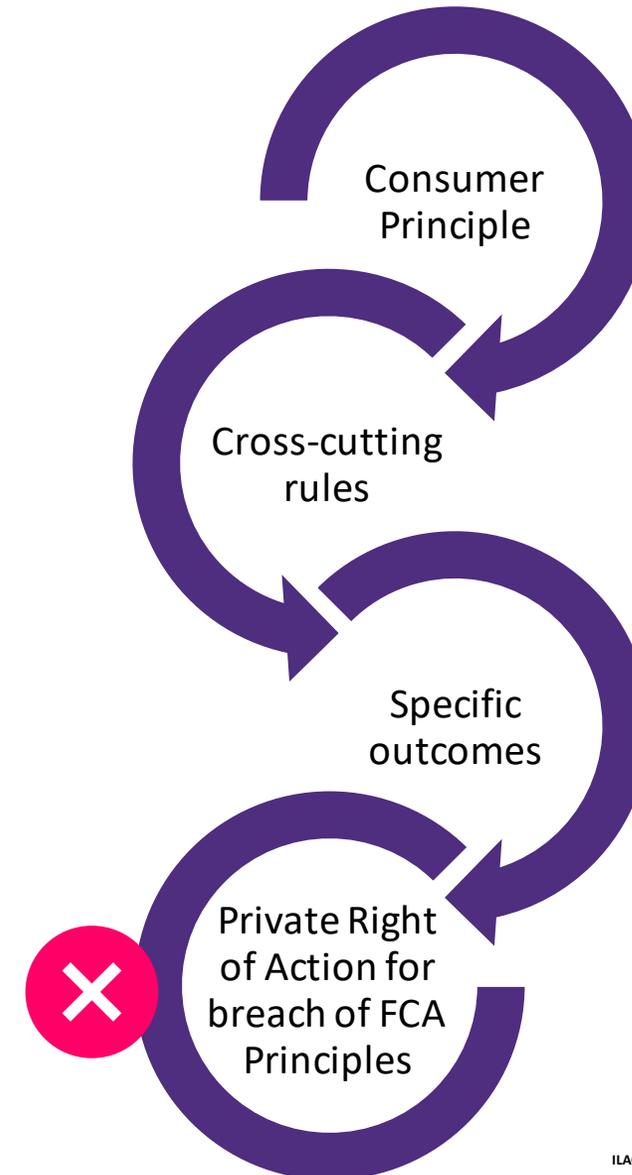
## **FCA frustrated by evidence of continued poor practice:**

- Firms providing information which is misleadingly presented or difficult for consumers to understand, hindering their ability to assess products/services properly and make good, timely decisions
- Products and services that are not fit for purpose in delivering the benefits that consumers reasonably expect, or are not appropriate for the consumers to whom they are targeted and sold
- Products and services that do not represent fair value, where benefits consumers receive are not reasonably relative to the price they pay
- Poor customer service that hinders consumers from taking timely action to manage their financial affairs and making use of products and services, or increases their expense in doing so
- Other practices which hinder consumers' ability to act, or which exploit information asymmetries, consumer inertia, behavioural biases or vulnerabilities

# A new Consumer Duty

## Purpose

- Enhance existing conduct standards in retail markets, drive cultural change and instil consumer trust
- Place onus on firms to abide by a new Principle for Businesses and to aim to deliver specific outcomes when designing, advising on or distributing products and services to retail clients.
- All firms will be subject to rules specifically requiring them to act to avoid causing foreseeable harm to consumers.
- Focus of the FCA to ensure that firms *'get it right in the first place.'*



# The proposed 'package' of changes

## Consumer Principle

An overarching principle which sets out the overall standards of behaviour the FCA wants from firms.

Option 1: *'A firm must act to deliver good outcomes for retail clients.'*

Option 2: *'A firm must act in the best interests of retail clients.'*



## Cross-cutting rules

These rules will develop the FCA's overarching expectations for common themes that apply across all areas of firm conduct.

Firms must:

- Act in good faith toward retail customers
- Avoid foreseeable harm to retail customers
- Enable and support retail customers to pursue their financial objectives

# The proposed 'package' of changes

## Four outcomes

The FCA proposes to set expectations for each of the following Four Outcomes in a suite of rules and guidance.

Outcome 1 – Products and services

Outcome 2 – Price and value

Outcome 3 – Consumer understanding

Outcome 4 – Consumer support

## Private Right of Action for breach of FCA Principles

- A right for consumers to seek damages for loss caused by the breach
- Would enable the FCA to use its powers under section 404 of FSMA to impose an industry-wide redress scheme where there are breaches of the Consumer Duty or other Principles



# FCA's next steps

- CP21/36 consultation period ended 15 February 2022
- FCA expects to publish the policy statement summarising responses and to make new rules by 31 July 2022
- 30 April 2023 – potential date for implementation of the Consumer Duty

# An approach to preparing for the Consumer Duty

# Consumer Duty: Regulatory Expectations

To deliver on FCA expectations in a complete and measurable manner there are key areas any business will need to examine as part of its Consumer Duty approach:

- ✓ Products and services, distribution and servicing and its impact on customer outcomes
- ✓ Identification and treatment of vulnerability to be embedded and firms should seek to protect customers from harm
- ✓ Tailored interactions to improve understanding and decisions, leading to a great customer experience
- ✓ End to end customer journey outcome focus, as well as point in time outcomes
- ✓ Building personal relationships with customers that feature supportive conversations
- ✓ Empowering customers within the relationship
- ✓ Clarifying definition of good or poor customer outcomes by products, services and customer support
- ✓ Embedding the right behaviour across all functions in a firm and third parties interacting with customers

None of this is new – but a new Principle and the cross-cutting rules codify these expectations in a more prescriptive and enforceable way

# Support for you

## **PruAdviser Tool and Calculators**

Tools and calculators for financial advisers to inform professional advice.

<https://www.pruadviser.co.uk/tools-calculators/>

## **Technical Support & Articles**

- Facts & planning articles
- Insights & opinion articles
- Planning & technical webinars
- Technical Videos
- Ask the Tech Q&A support

## **PruFund, Retirement Account & ISA Support.**

## **Third Party & Independent Reports**

A number of internal and external case studies, risk mapping documents, and research guides focusing on Prudential's range of funds

### •Different stages of retirement planning

<https://www.pruadviser.co.uk/pdf/GENM100061715.pdf>

### •PruFund since pension freedoms began

<https://www.pruadviser.co.uk/pdf/PRUF100124906.pdf>

### •Due diligence and third party reports

<https://www.pruadviser.co.uk/knowledge-literature/third-party-reports/>

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<https://www.pruadviser.co.uk/mifid-ii-disclosure/>

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# Support for you



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Thanks for  
listening

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