



Inside FCA Podcast: What does the Consumer Duty consumer support outcome mean?

OI: Hello and welcome to the Inside FCA Podcast. I'm Ozge Ibrahim, and in this episode I'll be speaking with Sean Cafferky in the FCA's Policy Team about the Consumer Duty consumer support outcome. The FCA says it wants firms to provide a level of support that meets the needs of consumers throughout their relationship with a firm. I'll be asking Sean to explain this more in detail, including what good delivery of customer journeys looks like.

Hello and welcome Sean.

SC: Thanks for having me, Ozge.

OI: What does the consumer support outcome mean in the Consumer Duty?

SC: Well, in a nutshell what we want to see is consumers get the support they need, when they need it. I'm sure everyone's experienced poor customer service at one point or another. For some it's an inconvenience but for others, particularly consumers who need more help, battling through poor support can be really time consuming and a significant source of stress. And more than that, it can cause real harm where it means consumers can't properly use their products. Ultimately what we want to see is firms provide the support that enables consumers to use and enjoy the full benefits of the products and services they buy. And support that enables consumers to act in their interest, whether that's by switching products, moving to a new provider or making a complaint, for example. We feel it's never been more important that consumers get the support they need given the cost-of-living pressures they're facing.

OI: You mentioned customer support there, what factors will the FCA consider when assessing what is reasonable in terms of the customer support offered by firms, and are there any challenges firms should set themselves when considering what is reasonable?

SC: Well, we do want to see a more consistent and high level of consumer support right across retail and financial services. But we recognise that firms are different in terms of their size, their product offerings and customer bases among other things.

So, in our guidance we've included what we'd often call rules of thumb to give all firms a better idea of what we're looking for in real terms. So, for example, products shouldn't cost more than consumers expected up front.

So, that means no unreasonable exit fees, charges or other costs like delays, distress or inconvenience without good reason. Also, after sale support should be as good as pre-sale support, so consumers shouldn't find it as easy to switch, leave or make a change as it was to buy the products in the first place.

OI: Do firms need to provide multiple channels of support to customers? If firms operate multiple channels, does support need to be provided via the customer's preferred channel?

SC: Well, we don't prescribe which channels of support firms must offer and we don't necessarily expect that support will always be provided via each individual customer's preferred channel. The key thing for us is that support is always effective in meeting the needs of customers. Now we do think this means that firms will usually need to be able to provide at least some support through different channels or by adapting their standard approach. For example, if somebody suspects that they've been a victim of fraud, I think the natural reaction of many in that moment of just panic and vulnerability is they'll want to speak to someone in real time for that reassurance that it's been dealt with.

Now we recognise that digital only and propositions with more limited support channels can work well for many customers. But we do want these firms to make sure they've got ways to deal effectively with non-standard issues and customers who find themselves in vulnerable circumstances. This doesn't necessarily need to be an additional full-service channel though. I'd also add that firms should clearly communicate the support they offer up front, so the customers properly understand what they're signing up for. And also, customers' needs can change. So, if a more limited support offering no longer works for them, we'd expect them to be supported including in exiting where appropriate. One of the key ways firms can check they're getting it right in this area is through their monitoring, so looking at how customers are behaving, how they're using their products, what they're complaining about and other feedback.

OI: And when we talk about channels, can you give some examples?

SC: Yeah, there's lots of different channels firms use, so that might be over the telephone, in-branch, via email, online, their websites, even things like social media.

OI: And what consideration do firms need to give to the needs of customers with characteristics of vulnerability?

- SC:** Well, we've just touched on this a bit, but essentially, we want firms to respond flexibly to the needs of customers with characteristics of vulnerability. So, again this means having that ability to adjust standard processes where needed to provide support that really works for customers. We've included examples in our guidance that highlight some practical steps firms could take, so things like offering access to sign language interpreters, providing communications in a different format or just spending a bit longer with customers to make them feel genuinely understood and supported. I'd also highlight our guidance for firms on the fair treatment of vulnerable customers, which includes lots of great examples which will help firms to meet their obligations and comply with the Duty rules in this area.
- OI:** When looking at the delivery of customer journeys, the Consumer Duty calls out so-called sludge design practices. Can you explain what these are and when they can cause harmful outcomes? And also, what appropriate friction is?
- SC:** Well, you've mentioned a key word there, friction. We think there's good and there's bad, and there's obligations on firms to both include appropriate friction in customer journeys but also ensure customers don't face unreasonable barriers or sludge when they want to act in their interests, for instance by making a claim, complaint or switching to a better product or a different provider. In the right places we know friction can act as a valuable safeguard against harm, so appropriate or positive friction might include things like risk callings or additional steps designed to prevent fraud or make sure customers are aware of the consequences of cancelling a contract.

But the other side of the coin is sludge. Basically, this is where firms include friction in their customer journeys that discourages customers from doing things they might prefer they didn't, like switch provider. Another example could be designing a long-winded complaints process with lots of extra steps to put customers off. Obviously, we don't want to see these types of sludge practices. So, firms may be asking themselves well, where's the line? When does positive friction become sludge?

What we expect is firms to review their customer journeys and look out for frictions along the way, considering the impact on customers. So, asking what is this friction point doing? Is it there to protect customers from harm and nudge them to make the right decisions or is it just making customers' lives more difficult by getting them to jump through hoops to do something that's likely to benefit them. It's the outcome here that really matters, so again firms monitoring will be important in helping them understand how customers behave and respond to different journeys and whether they're driving the right outcomes.

OI: And will the consumer support outcome address the issue of long call waiting times? What counts as reasonable in terms of delays to customers getting support?

SC: So, we've not set rigid standards for how long a customer should wait to talk to an agent, how long a call should last or how long an issue should take to be resolved. What's reasonable will depend on the circumstances. For example, there are times where a firm's call centre may experience unforeseeable demand such as at the start of the Covid pandemic. And there's other variables as well, including the complexity of the issue in question. And that means that some delay or inconvenience might not be unreasonable. That said, the rules require firms to deliver support that meets the needs of customers. Clearly, if customers just can't get through to their provider, this won't meet the standard. The rules and guidance are also clear that a consumer should not face unreasonable delays, whether that's to switch, complain or get help, whatever the channel.

So, this all means that we do expect to see average waiting times to come down. And we also expect firms to be able to demonstrate with data they're providing appropriate support, whether that's complaints, average waiting times, customer satisfaction and so on. Another key test we'll be looking at, which any firm can easily apply, is on the relative standard. That's the rules of thumb I mentioned earlier. So, making sure people are not waiting disproportionately longer when they call to switch or complain, for example, than when they call to buy the product.

OI: What monitoring do we expect firms to do to ensure they are providing an appropriate level of support to customers and what types of data should they be using?

SC: Well, we've referred to it throughout, and as is the case with all aspects of the duty, monitoring is key. This outcome is about how firms deal with customers directly, so there's lots of good data sources to help in this area. We list plenty of examples in our guidance and we were also pleased to see firms cite various data they intend to use to monitor this outcome in their Consumer Duty implementation plans. So, for example, things like customer behaviour data, the way they're using their products, complaints, average call waiting times, call abandon rates, listening exercises, satisfaction surveys, there really is a lot to go on in this area.

OI: And what should firms do if they identify they aren't meeting the FCA's expectations?

SC: Well, we want firms to use this data to look for areas where they're falling short and then to make improvements where appropriate. This test, learning, improve, approach is central to the Duty's outcomes-based focus.

Finally, I just say we recognise that firms won't always get it right and on occasion individual customers will have a poor support experience. When this happens, we expect firms to act promptly and fairly, providing redress where appropriate to deliver good outcomes for customers.

OI: Thank you for your time today, Sean. You can find out more on the Consumer Duty on our website, and with our dedicated series of podcasts covering the 3 other outcomes. I'm Ozge Ibrahim, join us again soon on the Inside FCA Podcast.

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