FINANCIAL CONDUCT AUTHORITY

Consumer Duty webinar – Payments and e-money

Speaker	Transcript
JANE MOORE	Good morning everyone and welcome to the FCA's Consumer Duty webinar for the payments and e-money sector. I'm Jane Moore and I'll be chairing the webinar this morning. I'm Head of Department for Payments and Digital Assets Market Analysis and Policy and I'm joined by a number of my colleagues this morning. In order of speaking, they are: Richard Wilson, Manager of the Consumer Duty Policy team, Ross Studholme, Technical Specialist in Payments Policy, Paul Roe, Head of Department for Markets Interventions – Payments, Chris Preston, Manager for Markets Interventions - Payments and Laurens van Heck, Technical Specialist in Markets Interventions Payments. So today we're going to cover the Consumer Duty and how it applies to payments and e-money firms. As you all know, the Consumer Duty is very important, focusing on achieving good outcomes for consumers. We recently sent a Consumer Duty letter to firms on the 21st of February 2023 and today's webinar follows on from this letter. Our work on the Consumer Duty predates the cost of living crisis, but I do want to highlight firms' role in preventing harm and delivering good outcomes for consumers. It's all the more crucial at the current time when consumers are struggling financially. As you would expect, we're continuing to monitor market developments along with UK and other international regulatory partners. The Consumer Duty is hugely important to us. The outcomes for consumers are important and we need industry to continue to deliver on these. We need industry to put the consumer at the heart of delivering payment services.

	Responsible leaders of well-run firms already do this, and with the Consumer Duty, we're clearly setting out our expectations of what this looks like in practice and for the future. We want to enable this sector to grow in a way that develops and delivers consistently good outcomes and trust for consumers. We expect this to continue to be a top priority for boards and senior management. For all of you joining the call today, as you'll be aware, there's a wealth of information on the Consumer Duty which has been published on our website, which we will discuss today and we also today have an opportunity to ask questions. We are here to help you get this right. If you have questions for the panel, please feel free to put them in the Q&A function as we go along and we will look to answer as many of them as possible this morning. Now let's get started. I will hand straight over to Richard to cover an overview of the Consumer Duty and feedback on our cross-section sample review of firms' implementation plans. Richard, over to you.
RICHARD WILSON	Thank you very much Jane. It's great to be here today. So, as you know, we published our final rules and guidance for firms, for retail firms, on the Duty in July 2022. Since then we've done lots of engagement work including sector letters, roundtables, webinars, podcasts and firm meetings. And we've provided lots of different resources for firms which are all available on our website. So hopefully by now you all understand why we are introducing the duty and what we're trying to achieve, and what its key requirements are. But I'll just briefly recap to set the scene and make sure we're all up to the same point. The Duty will fundamentally change industry behaviour by setting higher and clearer standards of consumer protection in financial services and getting firms to focus on delivering good consumer outcomes. It introduces a range of new rules which mean customers should receive communications they can understand, receive products and services that meet their needs and which offer fair value, and ensure they can get customer support they need when they need it. These four outcomes are a core part of the Duty and my colleague Ross Studholme will talk about what they mean for payments firms in a few minutes.

	The Duty applies to products and services that are offered to retail customers. Our definition of retail customers doesn't just include ordinary individual customers, it also includes micro enterprises and small charities with an annual turnover of less than £1 million. And it doesn't just apply to firms with a direct customer relationship. It applies to any firm, wherever it determines or has material influence over consumer outcomes. This means, for instance, wherever it has influence over the design of a product or service, its price or value, the communications provided to consumers, or the customer support provided. So, all firms will need to consider: • how the duty applies to them in light of their business model • the characteristics of the consumers i.e. are they within our definition of retail customer and • the influence they have over those consumer outcomes. Obviously, what we want to be as helpful as we can in sessions like this. We can't give individual guidance to every firm on whether and how the Duty applies. Ultimately, you will need to come to your own judgment, if necessary taking expert or legal advice. Finally, on scope it's important to be clear that the Duty does not have a retrospective effect and does not apply to past actions by firms. However, the Duty applies on a forward-looking basis to firms ongoing actions in respect of existing customers of existing products and services. The Duty will apply to open products, those that ,i.e. those that are on sale to new customers from 31st of July this year. It will then apply to closed products, those not on sale, from 31st of July next year. Just to say a little bit about our recent work now. Now, we recognise this is a challenging implementation period as requirements of the Duty are broad and that's why we're working to help firms during the implementation period. As part of that support, at the end of January we published feedback on our initial review of firms' implementation plans. This contains lots of examples of good practice to help firms calibrate their own implementation work. And the review covers the largest firms across multiple retail sectors. It was these firms that we looked at first, but we think firms of all sizes will find the feedback we've published, and it's available on our website now, to be useful.

	Our overall impression was pretty positive. It's clear firms across all retail markets are really taking the Consumer Duty seriously and they've put in place change programmes of work to make, to deliver, the Duty to the deadline with generally good oversight from their senior leaders. However, we know some firms are a bit further behind than others, so we've highlighted three areas we want firms to particularly focus on in the run up to the deadline at the end of July. Firstly, we're urging firms to really make sure that work is being prioritised effectively so they focus first on the biggest risks of consumer harm. Secondly, we're reminding firms to properly consider the substantive Duty requirements and to particularly make sure they're delivering on those four outcome areas that Ross is going to focus on in a second and avoiding the trap of taking on a superficial or tick box approach to implementation. And thirdly, we're really encouraging firms to make sure they're working with all their commercial partners across the distribution chain. As for many firms this is really essential for effectively implementing the Duty. As Jane said, this cross-sector feedback is supplemented by our recently published Consumer Duty letter to firms in the payments and E-money sector. This sets out information, examples about how the Duty applies to payments firms. And Paul and other colleagues will talk more about this shortly. So, what are our next steps for the final four months of the implementation period? Our fixed supervisory teams will continue to engage with the larger firms on the Duty through their regular touch points. And we've widened down to our view of implementation plans to cover some smaller firms. But our primary way of assessing progress amongst the vast majority of firms that we regulate and supervise, will be through our firm survey, which will give us a good overview across all different types of firms. That survey is already in the field and the responses are pouring in from those firms selected to take part. So, thank you to those firms who've already responded. If you've received the survey, then please do respond so that we can get that good view of what's happening and what extra support firms might need. As you would expect our focus is moving away from just implementation plans to key substantive areas of the Duty. For

	instance, we're already reviewing some of the templates or frameworks that firms are using to do their fair value assessments. Our aim with all this work will be to help firms by building understanding of our expectations, sharing good practice and pointing at areas where we think something might be missed. So, we will look to feedback on all this work as soon as we can. This might not always mean a formal report. We might use a variety of formats: speeches, emails, podcasts. So please do look and continue to look out for new material we put on our website and sign up for our update e-mails. So, we'll continue to use the implementation period to support firms. And please do make use of the materials on our website. For instance, just this week we have posted a new podcast about our expectations of what work firms will have completed by the end of April. So please do listen to that. So, following that advert for our website, I'm now going to hand over to Ross who will talk a bit more about what this means for firms specifically in the payment sector.
ROSS STUDHOLME	Thank you very much, Richard. So, as Richard says, I'm going to talk about how the Duty applies to payments firms, focusing on the Duty's outcomes. Taking first of all the products and services outcome. Under this outcome, firms must be able to demonstrate the following things: First, firms must satisfy themselves that their products and services are designed to meet the demands and needs of consumers in their target markets, and they perform as expected. For example, we expect firms to develop customer authentication solutions that work for all relevant groups of customers in their target market. This includes viable methods that don't rely on mobile phones so that customers can make payments in areas without mobile phone reception or if they don't have a mobile phone. Second, firms must use data and management information to monitor whether their products and services continue to meet needs of customers and contribute to good customer outcomes. This includes regularly reviewing this data and taking any necessary mitigating actions. Third, firms should assess whether their products and services have features which could cause harm to groups of customers with characteristics of vulnerability, and what action they're taking to mitigate this risk of harm.

	Fourth, firms must consider the potential impact of any plans to cross-sell. We've seen cross-selling where the promoted products were appropriate for the original target market, but not necessarily appropriate for a wider group of customers, creating a risk that the latter purchase products which don't meet their needs. Fifth, firms must obtain and share all necessary information with other firms in the distribution chain to enable them to comply with the Duty. For example, the distribution chain could include the money issuer and agents and distributors that carry out activities on the issuer's behalf, and it's the issuer's responsibility to ensure that its agents and distributors comply with the Duty. And finally, sixth, firms must check that their distribution strategies are being followed and that products and services have been correctly distributed to the target market. Next, I'm going to talk about the price and value outcome. So, we want all consumers to receive fair value. Value is about more than just price. We expect firms to assess their products and services to ensure there's a reasonable relationship between the price paid by a consumer for a product or service and the overall benefit that the consumer receives. Firms should ensure that prices are transparent and clearly signposted so that consumers can understand what they are paying and they can compare against alternatives. We expect firms to consider all types of fees and charges when assessing whether a product provides fair value. For example, if a firm charges e-money redemption fees, it must ensure that these charges are fair and reflective of the underlying redemption costs incurred by the firm. The firm should keep these fee structures under review, especially as costs to their business change. Firms should also consider whether their fee structure is appropriate for the customer groups using their products, particularly customers with vulnerable characteristics. For example, if there's a minimum charge for topping up an e-money account, then certain groups of customers who make frequent low value top ups may pay disproportionately more than customers who make less frequent higher value top ups. I'm now going to turn to the consumer understanding outcome. So, we expect firms to provide their customers with the information they need at the right time, presented in a way they can easily understand. Firms' communications should adequately consider any potential for customer confusion

	inherent in their business model and provide adequate signposting and explanations to mitigate that risk. Say, for example, firms should consider the following things: First, provide sufficient clarity over fees and charges. Second, highlight the differences between the protections that apply to customers using different types of products and services. Third, make clear which products are regulated and which are not and clearly set out what consumer protections apply to each product. Fourth, where firms provide their products and services through agents and distributors, clearly communicate the split of responsibilities between the principal firm and the intermediaries and which firm does what in those arrangements. Principal firms should consider their agents and distributors communications relating to the principal firm's regulated services to the same extent and standards as their own, and Fifth, firms should avoid using technical and complex language that's difficult for consumers to understand. So, this would include, for example, when an open banking firm asks consumers to give explicit consent to access and use their payment account data, and when they explain the nature of the services they provide. This will support consumers in understanding the implications of providing such consent and then making informed decisions. Finally, I'm going to talk about the consumer support outcome. We expect firms to provide support that meets consumers' needs through the full lifecycle of the product or service. This includes providing appropriate support channels. For example, some firms operate purely online. In some cases this approach may not always be sufficient and we expect firms to ensure their contact channels meet their customers' needs. Firms should make clear to customers how and where they can access support and make a complaint if they wish to do so. And where products are no longer suitable, firms should support customers moving to a more suitable product or make it easy for them to exit. We see some cases where poor financial crime controls can lead to a high risk of both firms and customers being targeted by criminals. One specific access issue which we would highlight is the freezing of individual customer accounts. This typically happens where a firm has suspicions about financial crime that

	need to be investigated. That's reasonable in principle, but in practice some firms freeze a disproportionate number of accounts for too long and without adequate explanation. We expect firms to consider their processes relating to account freezing and check that they're not creating unreasonable barriers. In open banking, account information and payment initiation service providers are primarily responsible for consumer support. The Consumer Duty doesn't change existing requirements for banks and other account providers to allow open banking firms to access customers' accounts without unnecessary delay or friction. But, where a payment account provider or an open banking firm identifies a risk such as fraud that's specific to an individual transaction, we would expect that firm to take action to protect the customer and avoid causing foreseeable harm. So, I'm now going to hand over to Paul Roe, who's going to talk about our approach to the Duty in payment supervision.
PAUL ROE	Thank you, Ross and good morning everybody. So, firms' implementation of the Consumer Duty forms an integral part of the payment strategy for 2023 to 2025 which the FCA published and wrote to firms about on the 16th of March. And as a reminder, the three key outcomes that we're seeking to achieve from that strategy are that customers' money is safe, to reduce and prevent financial crime and to achieve good customer outcomes and that is anchored on effective implementation and embedding of the Consumer Duty. Now it's not new for us in our supervision of payments firms to give active consideration to whether a firm's products and its services and how it communicates and engages with its customers, and how it provides full support to customers through the life cycle of a product or service, will deliver good outcomes or could potentially cause harm. So that's not new, but obviously there's a particular focus now on how firms are translating what we hope were pre-existing good intentions into robust outcomes, planning through detailed implementation. So let me speak briefly to the approach we are taking. So, we have a small number of firms which we call fixed firms, the largest firms in the sector which have dedicated supervisory resource and we have bespoke firm specific proactive engagement with those firms to help us understand their implementation plans. And we regularly seek and review key governance papers, such as board minutes. And so the implementation of Consumer Duty will be a key part of our proactive engagement and ongoing assessment of that small number of the very largest fixed firms. We have about 1,450 portfolio supervised firms, firms that would tend by and large to be supervised on a reactive only

	basis. But as Richard mentioned earlier, we have already requested and are already reviewing the Consumer Duty implementation plans of a number of those portfolio supervised firms and we're happy to engage with those firms as they finalise their implementation plans and as they embed it into the future. We will give due consideration to firms' implementation of the Consumer Duty as and when we have reason to look at or engage with one of those 1,450 firms on an ongoing basis. So there could be a number of reasons why a firm attracts supervisory attention. And what you can expect is that when we are looking at a firm in relation to its safeguarding, in relation to its financial crime controls, in relation to material changes in its governance, with leadership, with management, with products and services business model, we may well take that opportunity to also seek to understand and assess the firm's implementation to the Consumer Duty. So, all 1,450 firms should be ready for us to ask for those materials and for a meaningful discussion on a firm's implementation of the Consumer Duty at any point in time. What we also do with those portfolio supervised firms is multi firm work where we take what we hope is a representative sample of a number of firms and look at a particular sort of aspect of that firm's operation, and implementation of the Consumer Duty will feature in the multi firm work that we do. And as well as then engaging with and feeding back directly to that cohort, that representative sample of firms, we would then make publicly available, anonymised in terms of the firms that took part, the broader findings so that all of the firms in the population could benefit from the work that we have done, informed by an assessment of a representative sample. And, as Richard also mentioned earlier across the FCA, on a sort of pan sector basis, the FCA is undertaking a survey of firms implementation to Consumer Duty, working with an external research agency. And, a short survey has recently gone out to a number of firms to help us understand progress firms are making and in implementing the duty, and also helping us reflect and inform our ongoing communications to firms. We will take a pragmatic and proportionate approach to supervising firms' implementation of the Consumer Duty. Top priority is to identify serious misconduct that breaches the Duty and where appropriate, to use our full range of powers to address this. Of course, we have a duty to take action, particularly against serious breaches. And we will go after firms that pose the greatest risk of harm to customers. Okay. I'll hand it back now to Jane, who will lead us into the Q&A.

JANE MOORE	Thank you, Paul. And thank you to Richard and Ross as well for their speeches this morning. Now we're going to move on to the Q&A parts of this webinar as Paul just highlighted. And we're going to start with a question that's come in around how the Consumer Duty differs from TCF, from Treating Customers Fairly. But before we get on to that question, let me encourage you all to put your questions into the Q&A sidebar and we will answer them as best we can over the next 20 odd minutes that we have remaining for this webinar. So let's start with that question about the Consumer Duty and treating customers fairly.
RICHARD WILSON	Yeah, thank you. This one comes up often in, in webinars like this but obviously the Consumer Duty is a clear shift and break from our previous principle on treating customers fairly. It goes beyond just a focus on process, good governance and doing the right thing to also say, to require firms to focus on actual customer outcomes: • to consider what outcomes their customers are receiving - are they good or poor? • to take action where they see that those outcomes are not good enough, and • to really stand behind and keep monitoring those outcomes that their customers are receiving. It's underpinned, as well, with a whole framework of rules that really set out what is required. So, it's not just as TCF was (as treating customers fairly was) - a principle, underpinned by guidance. The Duty sets out framework of rules which sets out how we expect firms to behave under the four key outcome areas as well. So it really focuses on those four outcomes that we've talked about: products and services, fair value, customer support and consumer understanding and thereby makes it much clearer for firms to understand what they need to do to deliver on the principle and the kind of behaviours we expect from them. So yeah, there's lots more information on our website and there's lots more I could say about the difference between TCF and Consumer Duty. We could keep us here all day, but I'll stop talking there and hand back to Jane.
JANE MOORE	Thank you. Thank you, Richard. And so there's a lot of questions coming in around merchant acquirers now and what we consider material influences for firms not dealing directly with end consumers. So let's move to the topic of merchant acquirers. Richard, I'm going to bring you back in as well as Ross. I think Ross, maybe you start and then Richard can come back in on this question. So Ross, over to you.

ROSS STUDHOLME	Thank you, Jane. So broadly, the Duty applies to merchant acquirers in respect of their customers who are either microenterprises, or charities with an income of less than £1million per year. Merchant acquirers' responsibility to the end consumers under the Duty will depend on their ability to influence outcomes for those end consumers, but that will depend on a case-by-case basis and will depend on each acquirer's business model. So it's difficult for us to say exactly how it would apply across the board. But Richard, would you like to give more comments on what we would consider to be material influence of outcomes?
RICHARD WILSON	Yeah, I could say a bit more about the general principle. So obviously in terms of material influence, as I mentioned a little bit in my in my speech at the start, it pays to think about that in terms of the four outcomes: products and services, fair value, customer support and customer understanding. So, do I have a material influence on any of those four areas? • Am I designing the product or service? • Am I influencing or setting its price, or determining its value? • Am I working on communications, designing, drawing up the communications that are ending up in the hands of the consumer? • Or am I providing some of the support that the consumer can access? And remember, when we talk about consumers, we're not just talking, as I said in my speech, about the ordinary individual consumer, but also small businesses, small charities as well, with turnover below £1 million a year.
JANE MOORE	Thank you both. Paul, I'm going to look to you for a question next. Could you describe some examples of potential harms we should be looking out for with respect to the design of e-money products?
PAUL ROE	Thanks, Jane. And I think Ross provided some good examples on this earlier in respect of all four of the outcomes that we're looking for under the Consumer Duty. And I think the way I would encourage firms to think about this is to have a very clear understanding of what does good look like. In terms of how the product and service will work in terms of pricing and value, in terms of customer understanding and in terms of customer support for the full life cycle. So, what does good look like for a range of cohorts of customers? What assumptions underpin good being achieved? Those can be assumptions about how the product and service will work in practice. They can be assumptions about the firm's capability and its processes, its support mechanisms, etc.

	They can be assumptions about the circumstances of the customer, of the customer's capabilities that they're understanding. It can be assumptions about the technology tools that a customer might have. It may assume use of a modern mobile phone and full 4G or 5G access. And then I encourage them to think about what are the risks that those assumptions which underpin good being achieved, what are the risks that might mean that in some situations those assumptions will not be borne out and good will not be achieved and how do you mitigate those risks. So I think the key thing for us is we are not being prescriptive about exactly the form that products or services should take. We're not a price regulator. But we do expect almost that reverse stress testing of what is a scenario in which a product or service doesn't quite work out the way that you would intend it to do and that a customer would hope that it would. And particularly give consideration to those scenarios that might be relatively low likelihood that might only impact a relatively small cohort of the population, but could have a disproportionately high impact for them and take those thoughtful decisions rather than assuming that things will work out in the way that you would hope that they would.
JANE MOORE	Thank you, Paul. Richard, I'm going to come back to you with a question now around monitoring outcomes. So, a key part of the Consumer Duty is that firms assess, test, understand and evidence outcomes that the consumers receive. So, what is the frequency of the monitoring and assessment of whether the firm is delivering good outcomes for its customers?
RICHARD WILSON	Yeah, thanks Jane. So, the Consumer Duty requires firms to act to deliver good outcomes as we've just been covering. As part of that, they need to have systems and controls in place to monitor that they are meeting this requirement and to monitor they're meeting it on an ongoing basis. So our rules require firms to monitor and regularly review the outcomes that customers are experiencing to ensure the products and services that they provide are delivering outcomes consistently in line with the Duty. So the Duty is outcome focused. It covers all types of retail products and services and we have therefore avoided taking a prescriptive approach. Therefore, we've not prescribed the specific period of time or frequency or approach that firms must take when it comes to monitoring. We expect firms to apply judgement and adopting a reasonable and proportionate approach considering factors including: • the nature of the product or service being offered • or the characteristics of the customers and the firm's role.

	So a product or service that is simpler or lower risk might need less regular monitoring than the one that is more complex and more high risk. But we leave it to firms to set their own monitoring period. Similarly, there is no prescribed format for the monitoring or the way in which firms evidence their monitoring of customer outcomes. So given your knowledge of your business and your customers, you are in the best position to identify the risks and issues that need to be monitored. And the MI and data that will be best is of evidence that the outcomes that your customers are receiving. So, we haven't been prescriptive. However, we are clear that we expect firms to maintain records so they can be provided to us on request. Firms should also maintain records of: • the issues that they identify • the actions that they take to address issues Firms need to be able to explain how they reached a decision on what was the right intervention when they were monitoring, and to demonstrate how that intervention has delivered better customer outcomes and if not, what further they might do. And of course, firms need to continue to comply with all the existing rules for record keeping. So, hopefully that gives firms on the call and an idea of what we're saying on monitoring. Thanks, Jane.
JANE MOORE	Thank you, Richard. And now to give you a break for answering questions, I'm going to turn to Ross next with a question around payment initiation service providers, PISP’s. So, Ross, could you please go through this? How does the Consumer Duty apply to PISPs who don't deal directly with end consumers?
ROSS STUDHOLME	Thank you, Jane. So the responsibilities under the duty for PISPs which provide back office services to firms dealing with end consumers depend on the extent to which the PISP again can materially influence outcomes for those end consumers. For example, the extent to which the PISP can influence how the consumers data is used and stored. So I think that would be a key one. Back to you, Jane.
JANE MOORE	Thank you, Ross. And now a question that I can answer. We've had a question through about will any slides or this webinar be published on our website? We haven't used slides, so the answer to that bit is no. But the webinar recording will be published on our website and it will be on there within the next two weeks or so. I'm looking at the other questions that are coming through. I just want to encourage you, if you've got burning questions that you want us to address, please do put them in the Q&A function and we will turn to them, which is the next

	question I'm looking to you again, a question that's come through is, is there a sample implementation plan or sample fair value assessment?
RICHARD WILSON	Yeah again a question we're often asked and as I said in the previous one, obviously the Duty applies across all retail sectors to firms large and small. It applies in a reasonable proportionate way. So, what we would expect of a large firm with lots of resources and capabilities will be different from a smaller firm with less capabilities and resources. So it's not possible to set out one template for how firms would go about complying with fair value or going about implementing the Duty, and, in fact, that's not the approach we want to take. We don't want firms to take a tick box approach to implementing the Duty because fundamentally they need to think about their own business, they need to think about their own customers, their own business model, what good outcomes means within that context. So yes, we haven't been prescriptive in terms of either implementation plans or fair value assessments. On implementation plans, as I say, we've set out an expectation that firms do that. It's not hardwired into our rules that firms must have an implementation plan, but we strongly encourage it. That plan will be useful if we ask to see how your implementation is going, for you to document what you plan to do and then what you did during the implementation period. But fundamentally the owner of that plan and the user of that plan is you as a business and it should set out what you believe you need to do to get compliant with the Consumer Duty. It's not fundamentally a document for us. It's one for you. So, make sure to set out all the actions you need to take to deliver the Duty. So, it will vary hugely by firm and by type of firm, we recognize that. We’re not looking for them all to be of a similar type or similar format. So, I hope that's helpful, Jane, in kind of setting out our thinking in response to those questions.
JANE MOORE	Great, thank you Richard. So, a very clear answer there. Now, Richard I'm going to stay with you again. We've got a question around testing methods. So, once we've established the need of the customer in the target market, what are some examples of types of qualitative and quantitative testing measures we can carry out to determine that the E money product in this case is meeting the needs of consumers?
RICHARD WILSON	Yeah, so under our products and services outcome there are rules that require firms to undertake appropriate testing of their

	product or service. The purpose of this is really to assess whether the product or the service will meet the identified needs, characteristics and objectives of the target market. So obviously that setting of the target market is the thing to think about first and then to think about how you're going to test the product or service to make sure it is actually delivering for that target market - delivering to meet the needs and characteristics and objectives of the people in the target market. And to make sure it will continue to do so in the future. So, it's not just thinking about the present and testing is also to there to test to make sure things are solid for the future as well. This assessment should include consideration of customers in the target market who have characteristics of vulnerability as well. You should think about the fact that some of your customers may be more vulnerable, may not have the same knowledge etc as others. And firms should consider the appropriate level of testing in all cases. They must test products in a qualitative manner. For example, consider the likely changes in the target market needs in the future and whether the product or service is like to consider those needs. So do the thinking. But where relevant, depending on the type and nature of the product or service and the risk of harm, firms would also conduct quantitative testing, using - obviously - data or MI to back that up. So the type of testing would depend on the nature of the product or service. For example, firms could: • do customer research • do testing or use internal data or • a mix of those Examples may include - so for instance: • testing protections against the risk of financial crime (for instance, consumers suffering fraud on their accounts), • testing the security of personal information, • testing protections for consumers if systems go down, and • any of the testing that you can do on the foreseeable harms that you've identified, such as the many issues that Ross and Paul picked up earlier in their speeches and answers. Back to you now, Jane.
JANE MOORE	Thank you, Richard. Very clear answer there. Okay, moving on to open banking, a question that we've had is what do you define as outcome testing for open banking firms? Ross, could you give us an answer to that one, please?
ROSS STUDHOLME	Thanks, Jane.

	The key thing in open banking is for firms to ensure that their consumers understand what they are consenting to in terms of allowing open banking firms to access their accounts. So as part of the consumer understanding outcome, we want, as we've said, customers to be given the right information at the right time and presented in a way they can understand and it's the open banking firm's responsibility to make this available to customers. This includes the information they need to make an informed decision around how that payment account data is going to be used and whether it's going to be shared with any third parties, for example. Those are the key elements. It's around the consumer understanding outcome, and making sure that that customers understand what they're consenting to and the nature of the service. Thank you, Jane.
JANE MOORE	Great. Thank you Ross. And now about firms that aren't currently FCA authorised. Ross, Paul, what are expectations regarding new firms applying for FCA authorization regarding consumer duty? Ross, over to you to start with.
ROSS STUDHOLME	Well, I think can I offer that one to Richard if he wants to kick off.
RICHARD WILSON	We can kick off with something general. Obviously, our colleagues are embedding the Duty throughout all our processes within the Consumer Duty, whether that's enforcement, supervision, authorisations or elsewhere. And our Authorisations Department is working to implement it as well. And in fact there's a podcast on our website from one of our Consumer Duty Leads in authorisations explaining to firms what they can expect from the change in and how Authorisations have changed their processes, with firms coming into the gateway. So do listen out for that. It's on our website. You can listen to that if that directly applies to you. But yes, broadly speaking, Authorisations take kind of a forward-looking view of firms. They want to make sure that firms have already thought about new rules that are coming into place in the next few months. So they will be asking - you should expect to be asked about - how your new service or products that you're bringing within the perimeter will meet the Consumer Duty in in the future. So that you should definitely expect to be asked about that. And then do listen to that podcast for more details about how to prepare for, you know, in terms of making your application and make sure you've considered the Consumer Duty as part of that.

JANE MOORE	Thank you, Richard. A very clear message to firms to be considering the Consumer Duty in all parts of their business future, especially for the authorisations process. Right, so the next question. Do we expect firms operating only online to offer different channels for customer authorisation? Richard, I think this one might be back to you as well.
RICHARD WILSON	Yeah, I can say something, but I'm very happy for others to chip in as well. It is something that we cover in our guidance on customer support. So if you go to the website and look at our finalised guidance, which is one of the top things that you'll see if you go to the Consumer Duty web page. That sets out some of our expectations on customer support. So broadly speaking, no, we don't dictate what channels firms should use. We don't say that a firm that offers its services only online should have to set up a call centre or it should have to open a branch. Obviously, that's not for the FCA to do. However, we do point out that particularly for vulnerable customers or customers where something goes wrong, often there is an expectation that they'll need to have some enhanced level of service. They might need to speak to someone, for instance, if they've been a victim of fraud. Does just having something on the website for them to fill in really meet that person's need when, you know, they're really worried about what's happened to their money or they've been a victim of crime? I would encourage people who are interested in that to look at the guidance. We do have this quite extensive section because it came up lots during the consultation on the draft guidance as an issue. But, you know, to really think about - are you adequately supporting vulnerable customers, those who perhaps moved into vulnerable circumstances (though they might not appear vulnerable to you when they first join). That, you know, that is something that can change, obviously, as a result of circumstances such as a fraud or a bereavement or anything like that.
JANE MOORE	That's a helpful answer. Thank you, Richard. And we've got a few more minutes for questions. So, if you do have any more burning issues, please do put them in the Q&A and we will get to them as best we can. Paul, I've got a question for you. We've received in some questions about our expectations around account freezing. Paul, could you expand on those expectations please?

PAUL ROE	Yes. Thanks, Jane. So unfortunately, from time to time, account freezing will be necessary while firms investigate potential financial crime concerns with an account or a transaction. And we recognise that firms are limited in what they'll be able to say to the account holder at that point in time. But a couple of things to bear in mind here. So for example, if a firm is going on something of a marketing drive to try and get new customers to open new accounts, you should be able to reasonably anticipate that that will result in an increase in the number of accounts that need to be frozen and investigated. So, if you're going full throttle taking on new customers opening new accounts, make sure that you've also thought about the operational capability and capacity you need to have for inevitable investigations that you'll need to do with that greater number of customer accounts. In some cases account freezing is a true positive. It is because there is something not right with the account and with the customer and clearly that needs to be looked at and it's a priority for firms to do so. That's consistent with the second outcome I described earlier in terms of our payment strategy and preventing and reducing financial crime. But in some cases it will be false positives. Actually, they'll be perfectly legitimate customers, perfectly legitimate accounts. And in those instances you really want to be able to complete your investigations as quickly as possible. And while you are limited in what you can say to customers because of the risk of tipping off, I think it's appropriate that customers don't simply face a wall of silence, don't simply have their communications go into a black hole, but actually know that the firm is aware of their concern and is looking into it and even that message, whilst not entirely addressing a customer's concerns by any means, is clearly better than a wall of silence, which unfortunately sometimes is what customers face in these circumstances. So, please think about and plan ahead for your operational capacity that you need to have and please think about what you can say to customers, limited as it is, to at least reassure them that their circumstances are understood and are being looked into as a matter of priority.
JANE MOORE	Thanks, Paul. A very clear message there. And now Richard, I'm coming back to you. We've had a comment thanking you for the very detailed information for the four customer outcomes and asking if there is a written communication anywhere that the firms can access.
RICHARD WILSON	Yeah, good question. And obviously, I realise we conveyed lots of information today. But don't worry, none of that information is stuff we've just made-up today and it is written down somewhere else for you to look at.

	So two key sources. Firstly, as I've just mentioned earlier, the finalised guidance on our website, that's the Consumer Duty finalised guidance. For instance, that has a chapter on each of the four outcomes we've mentioned today as well as a chapter on scope as well because I know we're getting lots of questions about: "Does this apply to me? How does it apply to me?" There's a whole chapter in there on scope as well. So I really do encourage people to read that and to pick out the details that are relevant to them. Obviously that guidance is fairly broad and generic because as say the Duty applies to all retail sectors, banking, insurance, investments as well as payments and e-money. But though we've tried to include lots of different case studies and examples across different sectors, obviously you know you've got to read that and think about how it applies to your own business. So, the second source of information which is worth looking at is therefore our portfolio letter, the letter that we sent out on Consumer Duty to payments and e money firms in the last few weeks which does go in sort of further detail on the four outcomes and our expectations for firms specifically in in this sector. So you know that really supplements the general guidance that we've published on our website. You should have received this letter directly. If you haven't though, all the letters are stored on the website as well. I think that there are 17 of them aimed at different types of firms in different sectors and if you pick out the payments one there that will be helpful. I don't know if any of my colleagues want to jump in on that letter. If I've said anything incorrectly about it. The people who drafted that are all set are on the call.
JANE MOORE	Thank you, Richard. I can't see anyone wanting to jump in. So I think you got it all perfectly correct. Thanks. Excellent. And we've got time I think for one more question and I'm just going to ask you, Richard, coming back to you, just would you be able to expand on what you've said around products not on sale and July 2024?
RICHARD WILSON	Yeah, so obviously we recognise that implementing the Duty is challenging. You know its coverage is quite broad and we gave firms a year to implement it. We wanted to phase in implementation to give firms extra time. So what we did was we've differentiated between products and services that are still on sale. So ones which a new customer could buy or which are open for a renewal as well. So those products or services that are still on the shelf so to speak and there are those products or services that are closed and are no longer open to new customers because in different sectors this has a different impact. Obviously in some areas there are lots of closed products, because they're long term in nature and firms regularly change their offering. But we wanted to give firms

	extra time because we recognise it takes a bit longer to bring those older products or services, that have been around a bit longer, up to the standards of the Duty and to help spread out the implementation work a bit, as well and give people enough time to do this properly. So hopefully that makes sense. We were taking a common sense approach to the definition of what an open product means and what a closed product means. We're not trying to trick firms or make that too complicated, so it should be fairly obvious to you. I don't know if there's been any specific guidance that we've given on that issue in the payments or E money sector, but if there isn't, well, I'm sure it'll be in the portfolio letter that we sent around. Thank you. And that portfolio letter is definitely a key document to read.
JANE MOORE	Richard, I said that that was the last question. I think we've got time just to sneak one more in. So could you please just come answer quickly about what KPIs should firms be using to assess good consumer outcomes?
RICHARD WILSON	Yeah, so again you know I do sound a little bit like a broken record on this I know, is that obviously the Duty applies broadly to all types of firms. We haven't got a prescriptive list. And you'll be unsurprised to learn given what I've said earlier, we haven't said you must follow any particular piece of management information, or use any specific piece of data because firms will be in the best position to know what the data is and the KPIs and the management information that they need to follow. However, that said, we have put a list of suggestions in our finalised guidance of things that we think will be useful. I mean, the most obvious one is obviously looking at complaints, looking at any feedback you can get from customers on the service you provide. So that could be formal complaints, but it could also just be monitoring social media to see what people are saying and picking up as well, because not everyone makes a formal complaint every time something goes wrong. So they're listening widely to customer feedback. One thing that lots of firm see is good, lots of firms have mentioned to us, is that they often get feedback from their own staff. Often frontline staff who are dealing with the customer, you know, dealing with customers on a day-to-day basis. They'll have a strong view on whether you're delivering good outcomes or what the gaps or problem areas might be. So obviously, you know, basic things as well as you'll have to handle things like lapse rates and turnover of customers as well. The particular types of customers who don't stay within your

	service, but clearly then it might not be meeting their needs. So there's a whole range of different things, data and MI that you will have probably to hand already, not new stuff that you need to collect, although ultimately you may need to collect some new data if you think that's really important to monitor good outcomes in the context of your firm and your customers. But I do encourage you to look, read the chapter on monitoring in our finalised guidance that has a suggested list of data you could use. And also at the back of each of the four chapters on the outcomes, there is then a more specific suggestion list, the kind of data you might use to monitor fair value for instance, or the kind of data you might use to monitor customer support. So there's a whole load of suggestions in the finalised guidance as well.
JANE MOORE	Thank you, Richard, and sorry for throwing the last question at you there with only a few minutes to go. Right, thank you all for dialling into our webinar. I hope you found it useful. And I want to give it another plug for the finalised guidance. This is a really key document, so please do read it. It's finalised guidance on the Consumer Duty which has the number of FG22/5 which is a snappy title and it's called Final non handbook guidance for firms on the Consumer Duty. Along with the Consumer Duty portfolio letter, that contains a lot of the information that will be useful for your firms. So please do have a look at our website. Please also consider the feedback that we've published on our review of implementation plans and visit the Consumer Duty homepage where you'll find additional information about Consumer Duty on demand webinars, podcasts and the option to sign up for e-mail updates. I want to thank you all for your questions as well. That has been I think a very useful session. I appreciate that we may not have covered all of your individual questions. If you have questions that haven't been answered by the content today, please do have a look at the website. And if you still need an answer and can't find the answer in the in the materials that we've published, please do get in touch with your usual supervisory contact. And all remains me to do is to wish you all a very good day. Thank you for joining us today.