FourNet®

FCA Consumer Duty

Striking the Right Balance

Digital Transformation Under the Customer Duty

With the implementation planning window for the Financial Conduct Authority (FCA) Consumer Duty now well underway, we look at 'digital transformation' under the Duty and some of the challenges of a 'digital first' approach. The regulator has highlighted in their non-handbook guidance (FG22/5) some of the risks that need to be mitigated where a digital first approach feels more like digital only with risks of customer exclusion and poor outcomes.

There are many drivers of digital transformation; whether your aim is to enhance customer service, improve employee productivity, streamline operations, address compliance issues or accelerate innovation, FourNet can help. We are experts at transitioning legacy processes (e.g. 'on prem' to cloud) and technology and can turbocharge your digital transformation journey in key areas of strategic change:

- Enhanced customer service/experience
- Streamlined customer journeys
- Increased employee wellbeing & productivity
- Accelerated innovation & deployment
- Regulatory compliance & reputation management

We are committed to deployment of disruptive technologies (e.g. Conversational AI, machine learning, speech analytics, chatbots, robotics) that enable these strategic programmes to be delivered with more certainty and agility. We partner with best-in-class providers as part of our over-arching proposition.

Products Where Support is Provided Through Limited Channel(s)

The FCA recognises that a regulated firm can design a product or service under their ‘product assurance framework’ (PRIN2A) with a digital-only support offering that, for example, meets the needs of a specific tech-savvy target market. Where this is the case, the FCA doesn’t expect the firm to offer an additional non-digital full-service channel to meet the needs of customers outside of this target market.

Knowing your target market is a key aspect of the FCA expectations and the initial gap analysis as part of preparing for the Duty. Risk appetite is important in this respect and extensive data analytics are required to establish a basis for measuring consumer outcomes and detecting where potentially poor outcomes may emerge. Some of the headline aspects of implementation plans for 31 October 2022 were:

- Define your focus areas
- Identify future end states
- Identify current state
- Align to the Risk Management Framework
- Align with Product Assurance Framework
- Align outcome-based KPIs
- Determine future MI requirements for key stakeholder groups (e.g. Board meetings)
- Build robust action plan

Customer outcome testing is one of the core delivery mechanisms for the Duty to provide assurance that firms are consistently delivering good outcomes for their customers and are aligned to regulatory expectations. Technology will enable firms to evidence that they are meeting the new standards.

How the FCA Will Support Good Customer Outcomes

The FCA has focused on firms that provide support mainly or only through one channel, such as digital-only. They have highlighted key consideration factors to ensure it delivers good customer outcomes.

In particular, firms should consider the following points:

Communicating the support available.

Firms must ensure their products & services are targeted appropriately and the limited channel(s) of support they offer are clearly communicated to customers – in line with expectations under the consumer understanding outcome. This should take place at the point of onboarding. The simplicity and intelligibility of this communication is very important, especially for those identified with characteristics of vulnerability – which is prominent throughout the new PRIN2A aspect of the FCA handbook.

Ensuring support works effectively.

Firms must ensure the limited channel(s) of support they offer are effective and enable customers to realise the benefits of their product or service and act in their interests without unreasonable barriers. Unclear or confusing digital (or other) customer journeys will not meet the FCA expectations.

Dealing with non-standard issues.

Firms should also have exceptions processes in place to deal effectively with non-standard issues that could arise in the context of their business. This could include security or fraud concerns, technical issues, or other more complex or sensitive customer journeys. It is likely that firms will need a real-time human interface, such as a phone service, to deal with some of these issues and provide effective support to customers.

Operational resilience.

Firms should be able to continue providing a reasonable level of support to their customers in the event of an issue arising with their services, which might include temporary works, an IT outage, or cyber-attack.

Customers with protected characteristics.

Certain characteristics are protected by law. For example, firms have a duty to make reasonable adjustments for disabled customers under the Equality Act 2010. Firms must therefore ensure that the support they offer allows for reasonable adjustments to be made in these circumstances so they can act lawfully.

Customers with changing needs.

Firms should also be mindful that anyone, including those who are tech-savvy, can become vulnerable either temporarily or permanently. If a customer's circumstances change it could mean that limited channel(s) of support no longer meet their needs. For example, a customer in financial difficulties could lose internet or mobile access meaning that a digital-only support offering exposes them to the risk of harm. The FCA expect firms to support customers in these circumstances, including in exiting their product or service where appropriate. This does not mean that firms must provide additional full service channels, but rather that they have processes in place to prevent harm to these customers and deliver good outcomes. The FCA has provide several good and bad examples of practice.

The four stages of a successful Customer Duty plan.

1 Definition of the target end state as an input to the gap assessment

2 A focus on evidencing outcomes

3 Considering governance central to how all the elements of Consumer Duty come together

4 Remediating products & services to meet the enhanced standards

The FCA has recommended a risk-based approach and to prioritise the implementation work that is likely to have the biggest impact on consumer outcomes, including the most significant communications and methods. The board needs to re-assure themselves that they are on track at each milestone. This will require consideration of what record keeping and MI is sufficient to evidence this to the regulator. Any informed risk-based approach should start with a fair value assessment using the metrics defined during the 'target state definition'.

Source.

How FourNet Can Help

Our clients benefit from our experience working with some of the biggest names in government, healthcare, and finance. We have delivered solutions that have been recognised as Best of Breed by industry bodies such as Government Digital Service (GDS).

At FourNet, we take data control seriously and our solutions are designed to always protect your organisation, data and operations from downtime.

Delivering Digital Transformation

FourNet will help our customers deliver their digital transformation goals to enhance customer experience, improve employee productivity, streamline operations, address compliance issues, stay ahead of competitors and accelerate innovation through rapid diagnostic using data science & operational analysis.

Improve Customer Experience

We help deliver an enhanced customer experience through data-driven transformational CX consultancy, enabling customer self-service and offering true omnichannel contact center capabilities, giving customers increased customer satisfaction, ensuring retention and improving engagement.

Increased Agility

FourNet's sprint methodologies combined with our stable, established Agile Cloud/ANTENNA Cloud platforms can help our clients quickly transition to the cloud, unlocking increased flexibility and speed to adopt new solutions and innovate.

Get in touch to arrange your assessment.

Risk Mitigation

Our Project Managers are trained in both Agile and Prince2 methodologies and will agree the right approach that meets our clients risk profile and timescales. Underpinned with our cyber & networking security division, FourNet reduce risk for both organisations and their customers.

Data Driven Decisions

FourNet's data science capability help our clients process and analyse internal data to prioritise the right decisions and initiatives to deliver improved CX, drive effective digital transformation, reduce costs through increase operational efficiency, increased adoption and improve collaboration enabling them to better measure and drive ROI.

Process Efficiencies

UtilisingFourNet's CX Consultancy, we help our clients improve their overarching customer experience, deliver operational efficiency, reduce churn, improve employee engagement and drive greater satisfaction by transforming and streamlining their business processes. Processes are mapped, analysed and optimised to deliver your strategic goals.

Responsible Business

As an industry leader in working towards net zero, delivering social value to our public sector customers; FourNet will work collaboratively with our clients to understand their Environmental, Social and Governance (ESG) priorities and ensure our solution helps them achieve them.

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