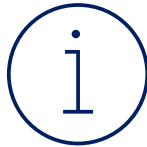


## Consumer Duty – introduction



**Important** – firms should read the AMI factsheets in conjunction with the FCA’s Policy Statement and non-Handbook guidance.

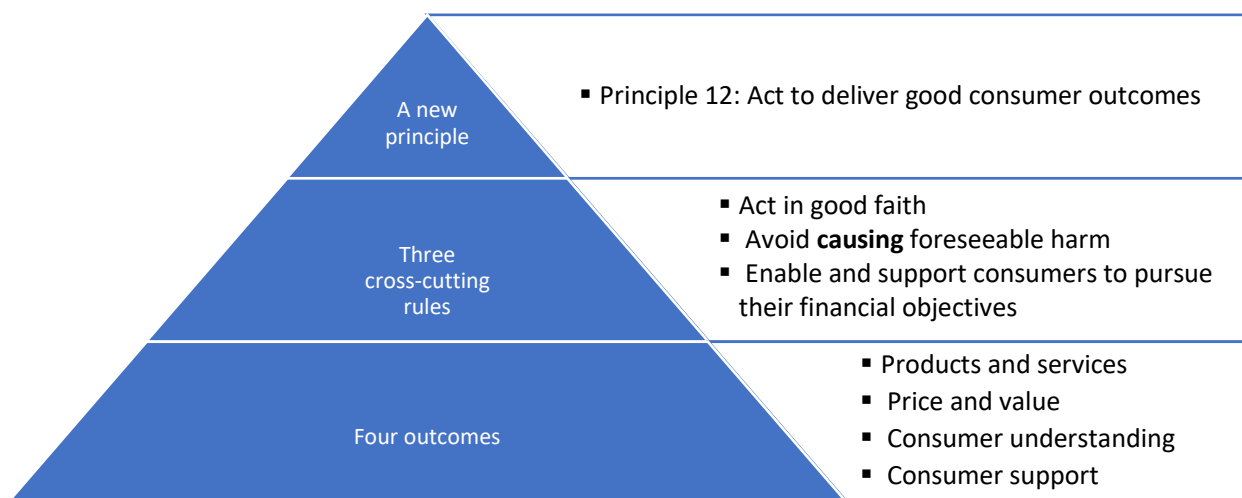


- FCA Consumer Duty [Policy Statement](#) (PS22/9)
- FCA [non-Handbook Guidance](#) (FG22/5)

### What’s the FCA’s Consumer Duty all about?

The FCA is introducing new requirements aimed at raising standards across retail financial services. It is still seeing too many instances of poor consumer outcomes and by clarifying the expectations of firms more clearly through new rules and guidance, the FCA hopes to be able to hold poorly performing firms to account more easily.

The Consumer Duty is driven by parliament and is part of the FCA’s approach in becoming a more assertive regulator.



The contents of this guidance do not constitute legal or other professional advice. Users should seek appropriate guidance before coming to any decision or either taking or refraining from taking any action. AMI disclaims all liability for loss and/or damage that may result from its use.

## How will it impact mortgage intermediary firms?

At a high level, **the Consumer Duty is about a firm's strategy and proposition.**

It's important the work is strategic led and not just driven through a compliance lens. For larger firms, implementing the Consumer Duty will involve a range of departments.

- AMI feel mortgage intermediary firms are starting from a good place, as the nature of operating as advice firms means firms are committed to driving good outcomes for consumers. However, all firms will have work to do, as we see new requirements that firms haven't had to consider before.
- The Consumer Duty should be seen as an opportunity to make improvements to a business, helping to build trust in financial services and making consumers feel more confident when making financial decisions.
- The Mortgage Conduct of Business Sourcebook (MCOBS) and Insurance Conduct of Business Sourcebook (ICOBS) remain, with the new Consumer Duty requirements sitting under the Principles for Business (PRIN) Handbook.
- The Consumer Duty won't fundamentally alter the structure of the mortgage and protection advice process. For example, affordability and suitability requirements remain. The Consumer Duty requirements are best viewed as running alongside and in some instances overlapping with MCOB and ICOB requirements where, in some areas, it raises the standard required.

## What's in scope?

- **\*Updated** – Consumer buy-to-let (CBTL) and certain unregulated buy-to-let (BTL) mortgages (those which meet the definition of 'qualifying credit', i.e. they are issued by a regulated lender) are subject to rules on financial promotion in MCOB and in such cases only relevant aspects of the Duty, in relation to communications, would apply. In AMI's view, firms may decide to apply the Consumer Duty across their whole business as this may be easier from an operational viewpoint.
- It also applies to ancillary activities – these are unregulated activities necessary for the completion of a regulated activity. For example, customer support services and the design and delivery of the advice process. The FCA has said that activities that are not necessary for the regulated activity are unlikely to be ancillary activities. AMI therefore believe that activities such as "free valuations" or "free legals" are not ancillary activities. Instead, they form part of the product or service (as they are part of the contract) and therefore are likely to fall under manufacturer requirements relating to 'products and services' and 'price and value' outcomes.
- Principal firms with Appointed Representatives (ARs) are responsible for ensuring the Consumer Duty is applied within its AR firms.

## How will it impact day-to-day advising?

Firms are likely to need to make changes to policies, processes and procedures to reflect the Consumer Duty requirements. The changes made by a firm could therefore impact day-to-day advising.

There's also a new Conduct Rule that applies to all Conduct Rules Staff (this includes advisers and Senior Managers). This mirrors the Consumer Duty principle and cross-cutting rule and will apply to interactions with consumers. This will involve training relevant staff and helping them understand how this will impact their day-to-day role.

## **\*New** - Documenting implementation 'rationale'

Firms should ensure they are able to:

- Demonstrate the gaps and shortfalls identified through their Consumer Duty work and the changes made to address them.
- Demonstrate, where applicable, why it feels it is already meeting certain elements of the Consumer Duty requirements.

These are likely to be areas focused on by the FCA within post-implementation supervisory work.

## Timeline

Click [here](#) for the key implementation dates.

Firms have longer to implement the Consumer Duty on closed products and services. Closed products are defined as where there are existing contracts with retail customers entered into before 31 July 2023 but are not marketed or distributed to retail customers (including by way of renewal) on or after 31 July 2023.

Whilst there are implementation deadlines, there is no “end date” with Consumer Duty. It should be seen as an evolving process, where firms learn from insight gathered and adapt and change products and services, policies, processes and procedures where any risks or issues to consumers receiving good outcomes are identified.

## How to navigate the AMI factsheets

AMI has broken down its factsheet content to make it easier for firms, and individuals within firms, to navigate. They are split into the main components of the Consumer Duty, as well as product specific factsheets and include AMI's interpretation and analysis of the impact on mortgage intermediary firms and areas firms may wish to consider.

It's best to start with the Contents page (click [here](#) to access) where you will find clickable links that take you to each of the factsheets. Each factsheet is in a PDF format, which you can save.

You will see throughout the factsheets sections titled 'Action plan' and 'Things to consider'. The 'Action plan' sections draw out what's required of mortgage intermediary firms and 'Things to consider' aims to help deepen a firm's understanding and broaden thinking.

We've also created a '[Summary](#)' factsheet aimed at smaller firms (such as sole traders). This summarises the key requirements 'at a glance'. However, firms are encouraged to read AMI's factsheets in full.

**Please note the AMI case studies ('Bringing the Consumer Duty to life') are for illustrative purposes only; they are designed to help firms understand the spirit of the new requirements, plus wider considerations and ideas for firms to debate and discuss as part of their Consumer Duty work. The content within the AMI case studies should not be seen as 'best practice'.**