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9 June 2023

IIAG – Consumer Duty Practical Auditing
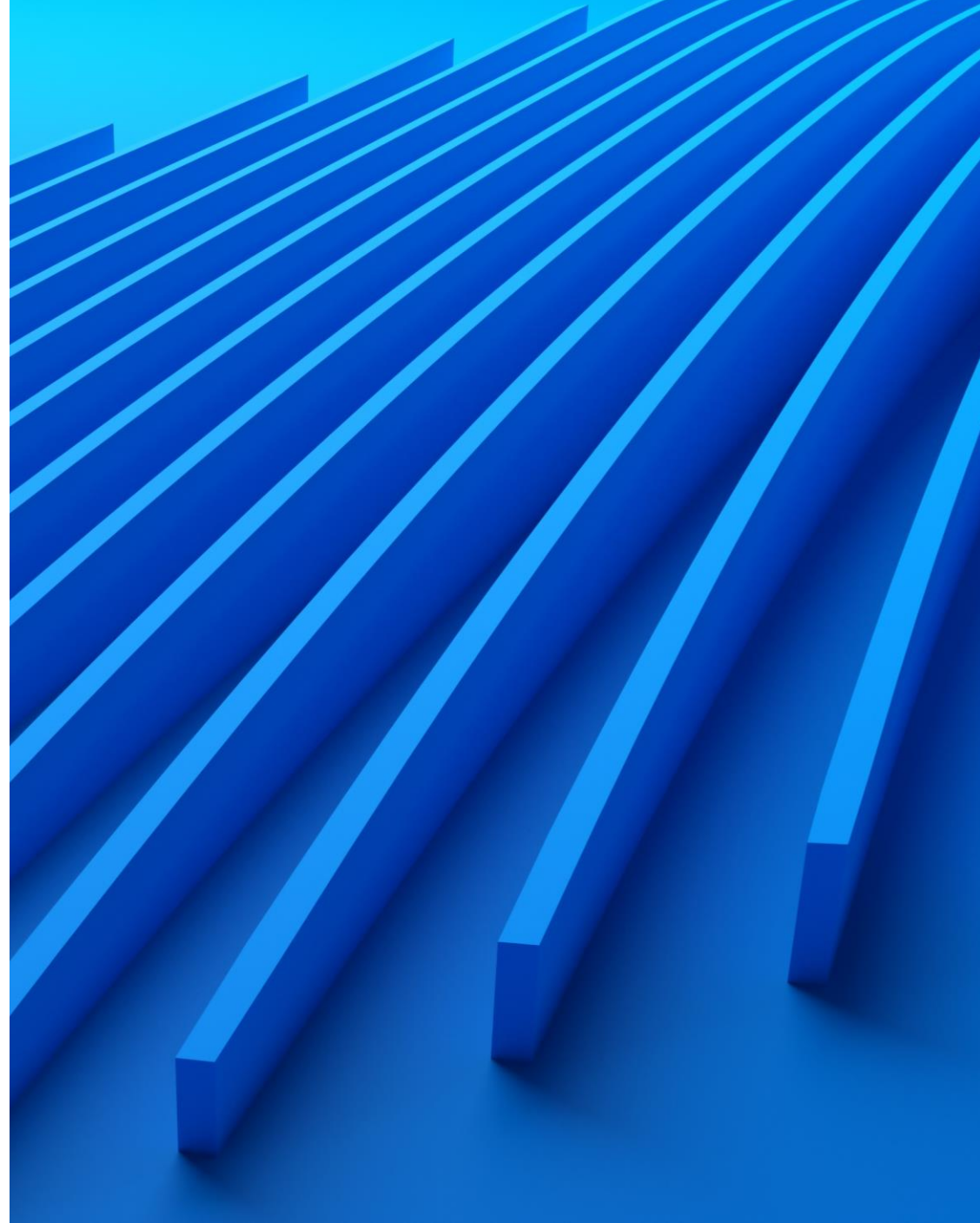
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Today's speakers

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Agenda

Consumer duty - refresh

Auditable Areas

Implementation Projects

Governance and Oversight

Management and operations

Processes, systems and controls

Third parties

Data strategies and reporting

MTA – Muti-car policy change like for like make and model vehicle
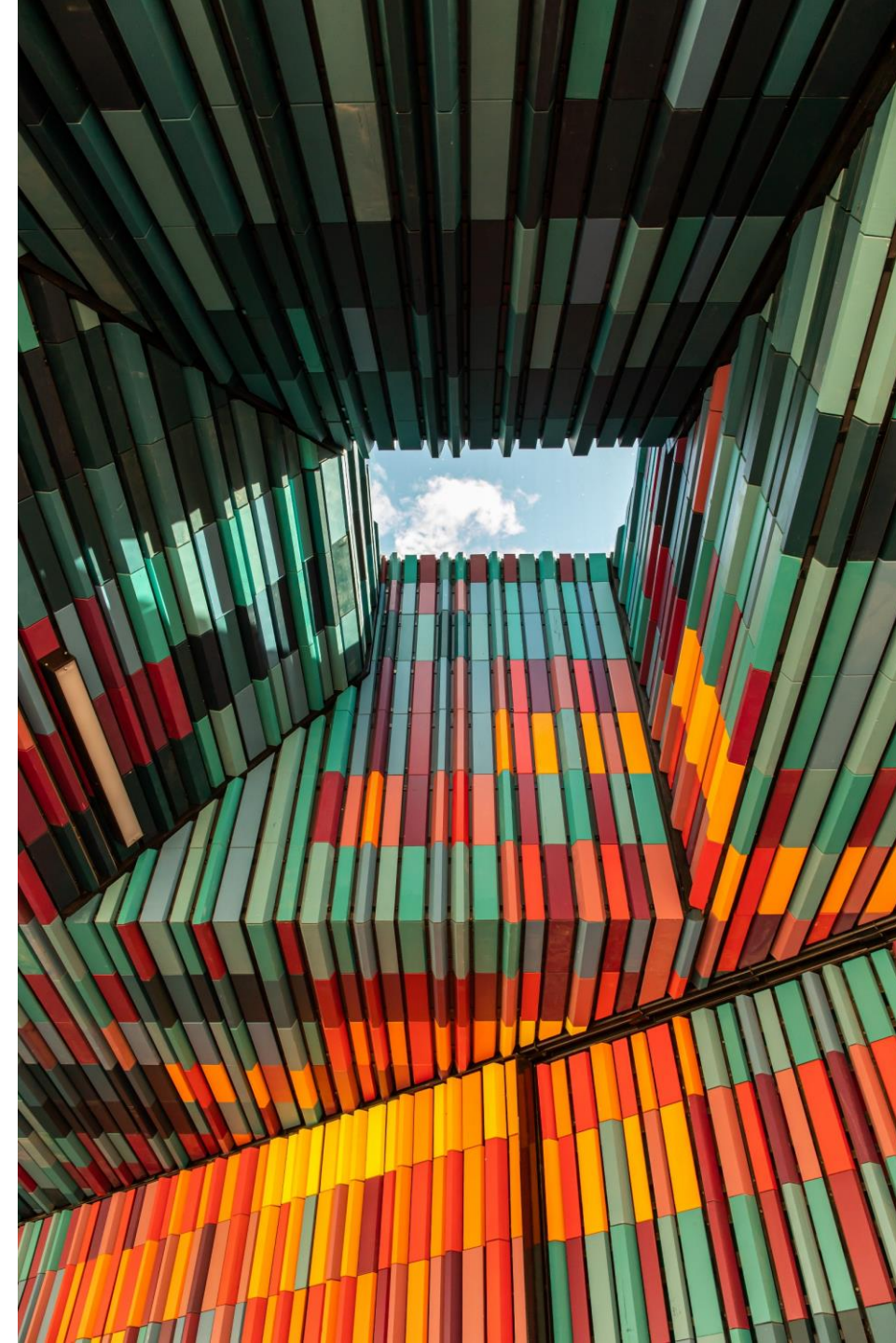
Buying process – online via an aggregator site

MTA process – telephony menu and hold music 15 mins on hold Spoke to a really helpful person who processed the changes efficiently and quickly

There was an admin charge to remove the old vehicle, and a slight increase in premium (increased vehicle value)

Then there was the admin charge to add the new vehicle – hang on!

Consumer duty

Consumer duty - refresh

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Consumer Principle

Firms must act to deliver good outcomes for retail consumers

Cross-cutting rules

Act in good faith towards retail customers

Avoid foreseeable harm to retail customers

Enable and support retail customers to pursue their financial objectives

Four Outcomes

Products and services

Price and Value

Consumer understanding

Consumer support

Auditable Areas

Auditable Areas

Implementation projects

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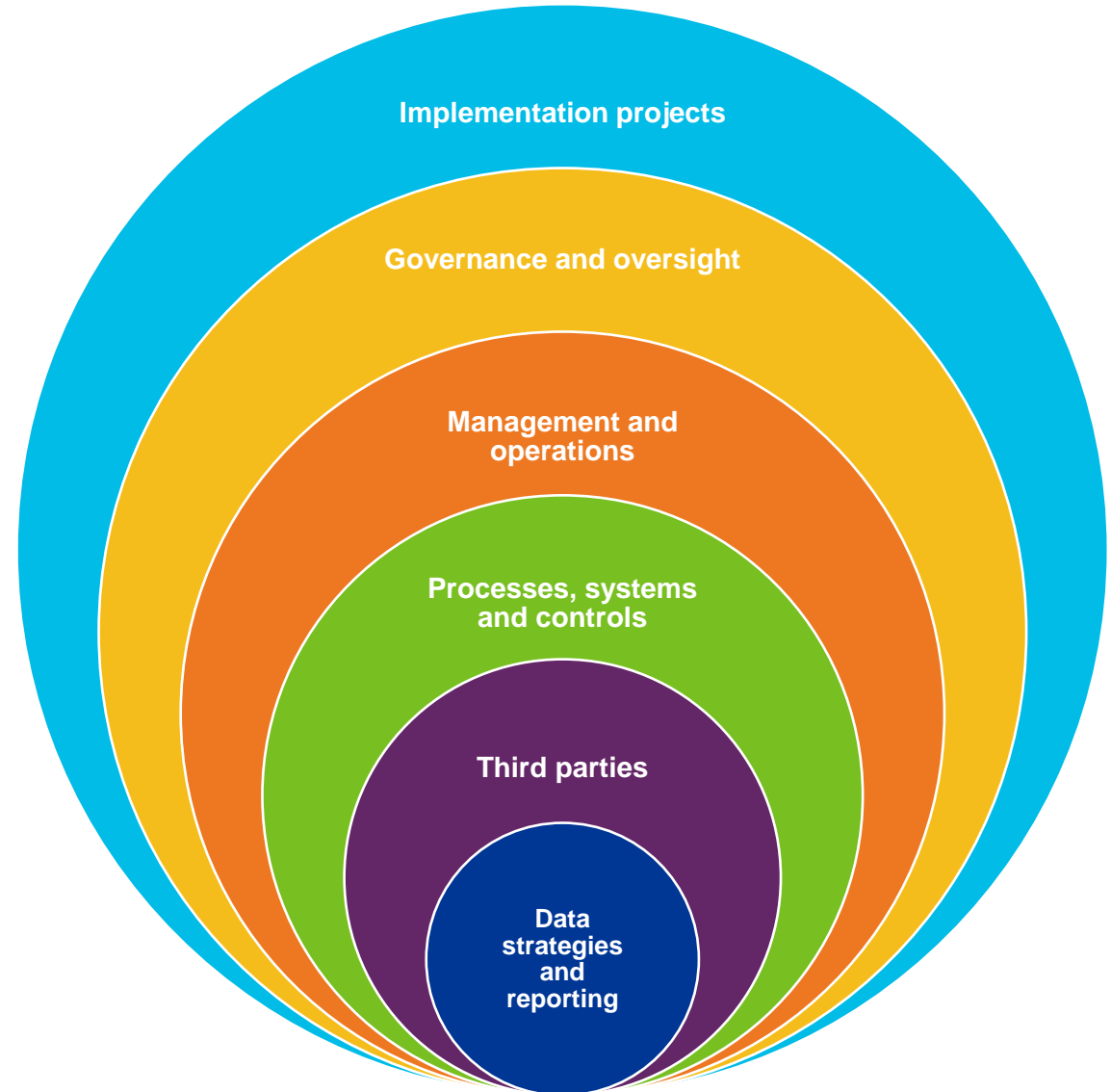
Implementation Projects

Implementation Projects - Considerations

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Identified riskiest products → Prioritised by risk or vulnerability → Clear assessment of fair value with clear metrics → Consumer journey mapping → Culture, training or process needed to deliver outcomes
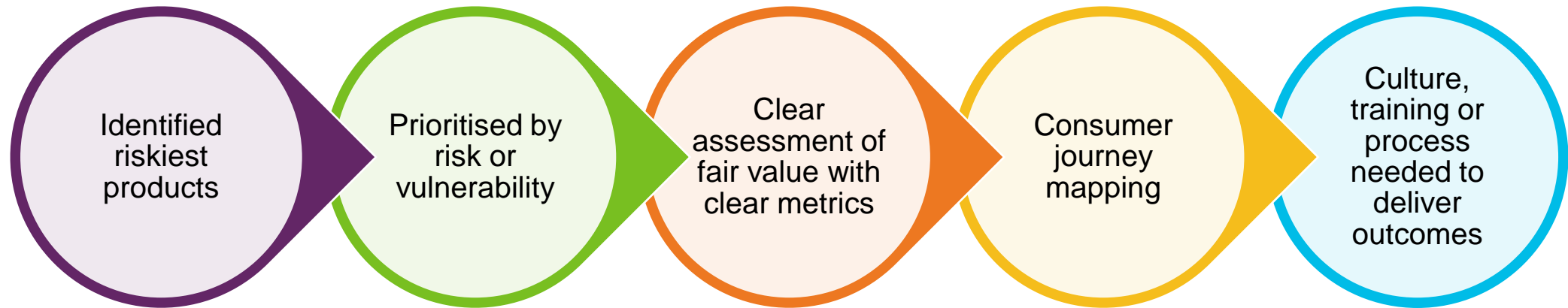
Implementation Projects – Audit and Assurance

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Review the governance arrangement aligned to the delivery of the implementation project

Review the project delivery / steering committee to ensure the project has clear definitions of objectives, workstreams, progress reviews, escalations and completion points?

Review the project success factors and documented timeframes / achievement?

Review the engagement and communication strategy across 1st and 2nd line

Review the completeness of 'in scope' products

Obtain clarity on the role of the organisation for each product (manufacturer / distributor)

Review the formality, structured and consistent application of risk / vulnerability assessments

Review the metrics used in assessments – do these focus on individual or average value measures

Review the appointment of customer group leads / product type leads for authorisation and signoffs

Governance and Oversight

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Governance and Oversight - Considerations

Clear roles and responsibilities

Consumer Duty Champion

Embedded within decision making

Considers the impact on culture and performance metrics

Governance and Oversight – Audit and Assurance

- Review the governance structure
- Review the role of individual or linked governance forums
- Review the allocation of roles and responsibilities for Consumer Duty, including SM&CR considerations.
- Review the composition and effectiveness of Product Governance (or similar) forums
- Consider the influence and role of the 'Duty Champion' has is this discharged in governance forums.
- Review the activity of Product Governance Committee (or similar)
- Review the Management Information provided to the oversight and governance committees
- Review the trigger points in governance review / oversight for individual products or customer groups.
- Review the consideration of changes to culture, training and performance metrics through remuneration.

Management and operations

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Management and operations - Considerations

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Embedding 'good consumer outcomes'

Mapping consumer touchpoints across product lifecycles

Assess the communication and product material provided to consumers

Assess impact of live or discontinuing products on customers

Align employee reward structures to consider consumer outcomes

Management and operations – Audit and Assurance

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Review the work complete through the Product Governance Committee (or similar) to assess how 'good consumer outcomes' and value are defined

Review any assessment of current practices and consumer touchpoints to identify where consumer outcomes may be influences

Review the mapping of consumer touchpoints through product lifecycle across distribution channels

Review the firm's assessment of the continuation or discontinuation of products or services – considering the impact on vulnerable consumers
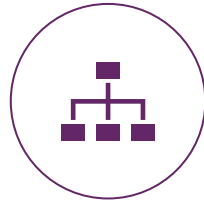
Review the training, policies and procedures supporting consumer culture in the firm – include consideration of firm, department and individual objective setting, performance metrics and linkage to remuneration

Review the performance metrics captured at a groups of product / individual product level to ensure a clear and demonstrable focus on consumer impact

Review the product documentation (IPIDs) to ensure these include clear language and product benefits

Review communication channels are appropriate for consumer profiles

Processes, systems and controls - Considerations

Processes, systems and controls - Considerations

Update process documentation to reflect Consumer Duty

Systems and processes configured to capture value metrics

Update processes, systems and controls to journey mapping
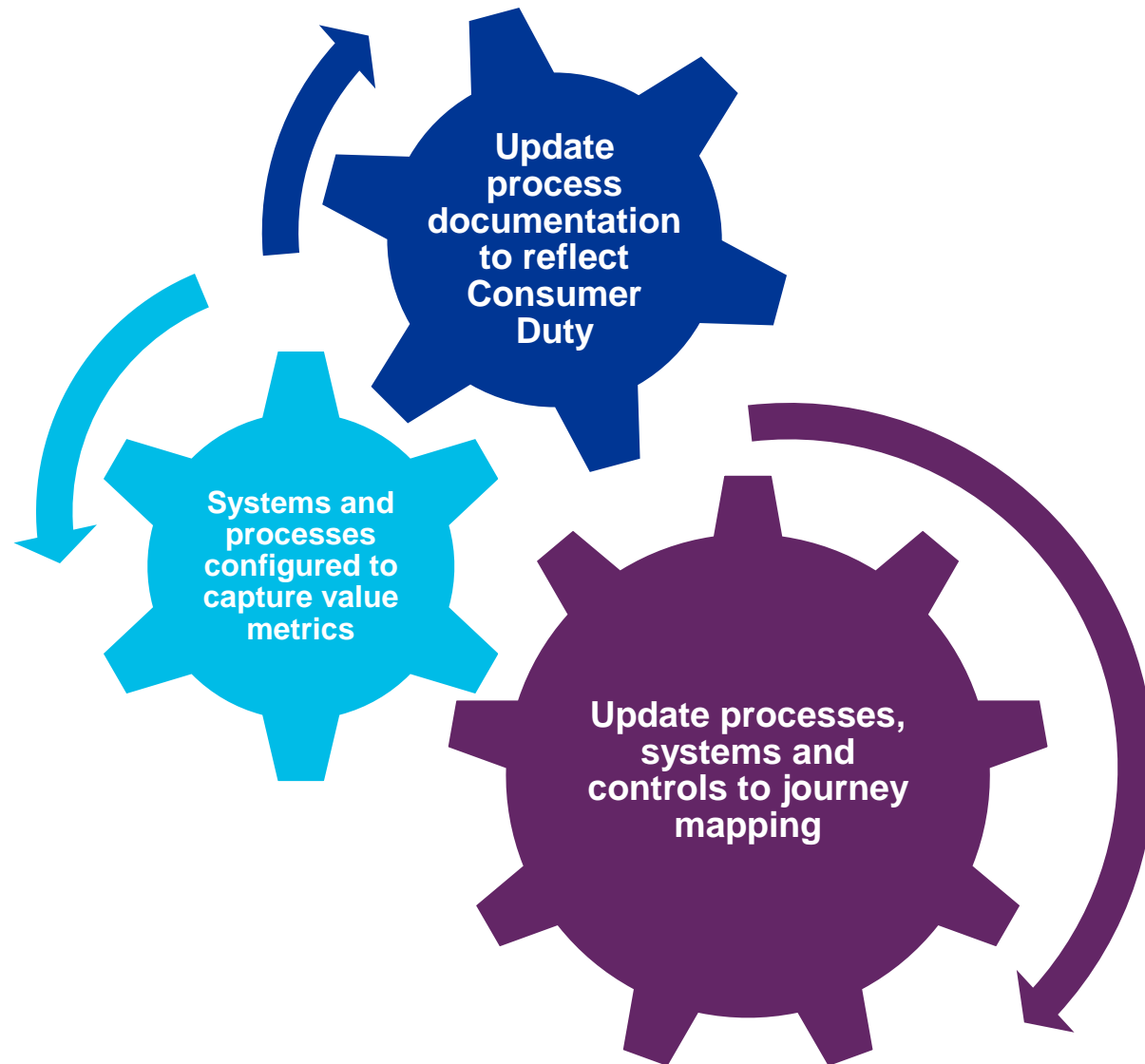
Processes, systems and controls – Audit and Assurance

Review the controls, consumer touchpoints and metric capture embedded within existing systems and planned enhancements

Review process design and consider opportunities of 'off-system' processes or workarounds that may be detrimental to consumers (e.g. additional chargeable services, admin charges, fees, commission manipulation)

Review the data fields identified across the product lifecycle – within systems and captured through manual activities (e.g. client or risk checklists, claims, and complaints data)

Review the processes through which complaints and claim data is considered holistically in defining value of products

Review the processing and retention of consumer personal data to ensure purpose and compliance

Review processes documentation to ensure this remains up to date and reflects changes made through consumer duty review

Consider any changes in control (escalation, authorisation or approvals) needed to embed consumer duty within product review, and lifecycle activities

Third parties

Third parties - Considerations

Identify third parties in journey mapping

Agree and formalise roles and responsibilities across distribution chains

Governance and oversight embedded within SLA's

Third parties – Audit and Assurance

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- Review product and lifecycle mapping documents
- Review the roles and responsibilities (including contractual agreements) and activities
- Review the role of third parties within product lifecycles
- Review specific escalation / referral points or decision making through product lifecycles
- Review the oversight of third parties across product lifecycles
- Review metrics provided by third parties
- Consider assurance received from third parties and the consideration of Consumer Duty in this provision

Data strategies and reporting

Data strategies and reporting - Considerations

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Identify gaps in current data collection strategies

Develop new data capture fields aligned to value metrics

Capture data consistently for analysis and comparison

Consider how to monitor outcomes across differential customer groups
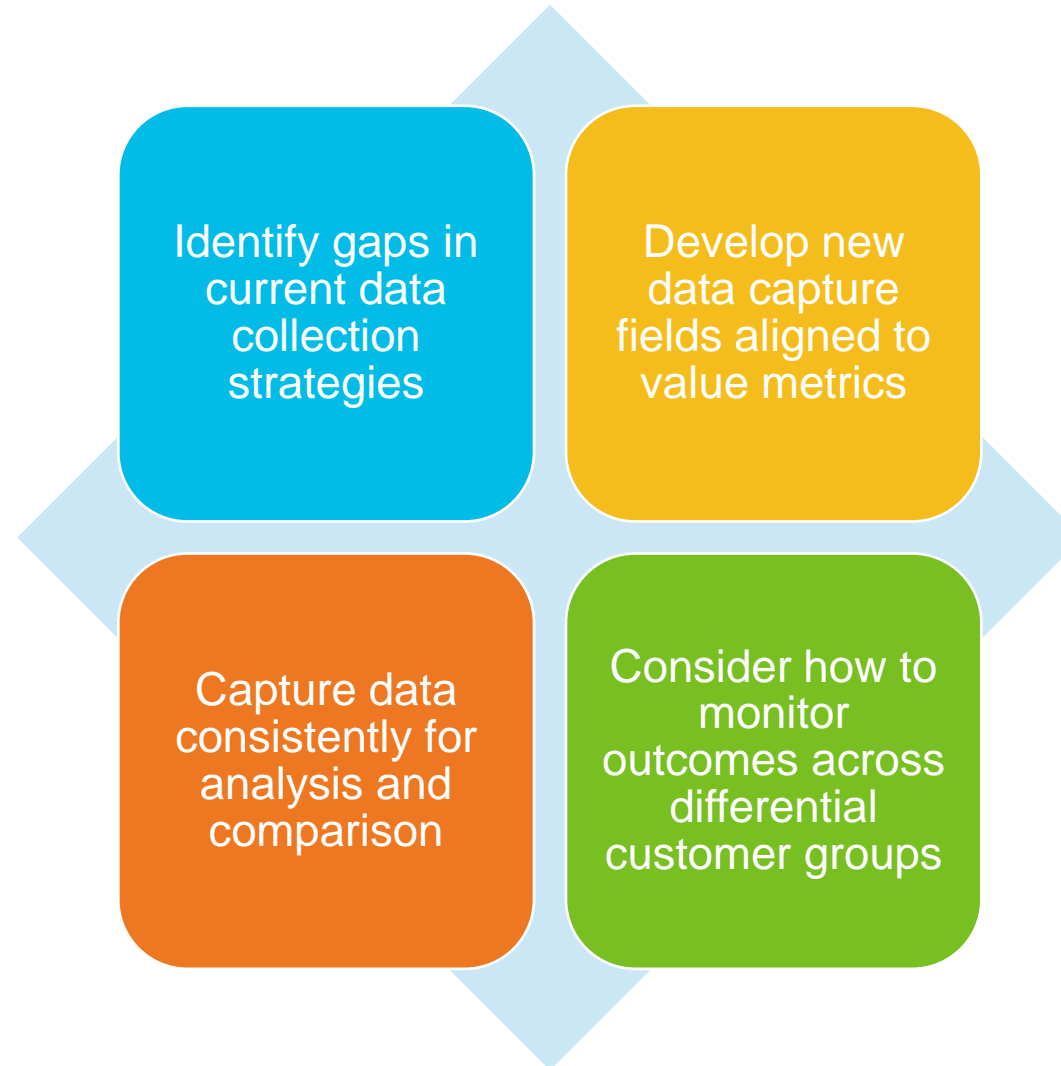
Data strategies and reporting – Audit and Assurance

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Review current and planned data capture – system driven data fields and manual additions

Consider how data from multiple sources can be effectively integrated for escalation of holistic comparison, review and decision making

Review the timeframes and priorities in embedding additional data capture requirements and fields in policy admin. Systems

Review any benchmarking of data for relative and absolute value provided through products, or distribution channels

Review the use of financial / non-financial metrics – quality of service / product, claims / complaints on lifecycle partners, conduct metrics for staff

Review of new internal performance metrics – firm, division or personal objectives and performance

Question and answer

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Any questions?

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