

THE COMPLIANCE JOURNAL

Regulatory Round Up - April 2021



Welcome to the Spring edition of the Commercial Express Compliance Journal bringing you a summary update on recent regulatory developments. This edition focuses on the FCA's guidance on the fair treatment of vulnerable customers and also sets out some of the main areas of focus in the FOS's and CMA's business plans for 2021/22. Enjoy reading and as always I hope you find the summaries useful.

Helen Holyoake, Risk Compliance and Agency Manager

Financial Conduct Authority

- General insurance pricing practices market study:** In September 2020, the FCA issued its Final Report from its Market Study of General insurance pricing practices, along with a Consultation on Handbook changes. The study focused on home and motor insurance and the overall findings were that the market is not delivering good outcomes for all consumers. In its consultation paper, the FCA was seeking feedback by 25th Jan 2021 on the proposed changes, with a 4-month implementation period proposed for any rule changes they may make. Following feedback on the consultation, the FCA now propose to amend this timetable to give until the end of September 2021 for the systems and controls rules and the product governance rules, and until the end of 2021 for the pricing, auto-renewal and reporting requirements to ensure firms have sufficient time to put the changes into effect and act quickly to address consumer harm. Further details can be found at: <https://www.fca.org.uk/news/statements/implementation-period-any-rules-arising-cp20-19>
- FCA launches guidance for firms on the fair treatment of vulnerable customers FG21/1:** September 2020, the FCA issued a Consultation Paper on the treatment of Vulnerable Customers. This remains a key focus for the FCA and was a prominent feature of their 2020/21 Business Plan. In February 2021, the FCA issued their Final Guidance on the treatment of Vulnerable Customers (FG21/1) and set out the expectations of all firms.

The FCA want to ensure customer vulnerability is taken seriously by firms, and properly embedded within their culture, policies and processes – this means at all stages of the customer journey and not just at the front line, for example, ensuring product design also takes this into account. It is expected that firms Senior Leaders create and maintain a culture that enables and supports staff to take responsibility for reducing the potential for harm to vulnerable customers.

The aim of the guidance is to provide clarity and help firms to focus their attention on what they should be doing to comply with the FCA's Principles for Businesses. It also supports the FCA's objective of Consumer Protection. The guidance provides good and bad examples seen by the FCA in respect of the treatment of vulnerable customers, and therefore provides practical examples that firms can refer to when considering their own policies and procedures.

The guidance will also serve as a mechanism which the FCA can use to hold firms to account if they breach the Principles. In the consultation paper the FCA provided examples of where they had identified weaknesses and taken action, such as – lack of transparency regarding upfront fees (Credit Brokers), Mis-selling mobile phone insurance by focusing on overcoming sales objections rather than focusing on customer needs and putting customers at risk financially by not understanding their needs when designing products.

The Finalised Guidance explains that to achieve good outcomes for Vulnerable Customers firms should:

- understand the needs of their target market / customer base
- ensure their staff have the right skills and capability to recognise and respond to the needs of vulnerable customers
- respond to customer needs throughout product design, flexible customer service provision and communications
- monitor and assess whether they are meeting and responding to the needs of customers with characteristics of vulnerability, and make improvements where this is not happening

Firms can expect to be asked to demonstrate how their business model, the actions they have taken, and their culture ensures the fair treatment of all customers, including Vulnerable Customers.

The full guidance can be read at: <https://www.fca.org.uk/news/press-releases/fca-launches-guidance-firms-fair-treatment-vulnerable-customers>



Financial Ombudsman Service

- **Ombudsman News 158:** In this edition, the FOS highlight their latest complaints data, looking at product-specific complaints between October and December 2020 and business-specific complaints between July and December 2020. In terms of Insurance, whilst the FOS reported a decrease in Business Interruption related complaints while the outcome of the supreme court ruling was awaited, they are again seeing an increase in these types of complaint since the ruling was made.

Full details can be viewed at:

<https://www.financial-ombudsman.org.uk/news-events/ombudsman-news-158>

- **Plans and budget for 2021/22:** Following their consultation paper issued in Jan 2021, the FOS have now released their Final Plans and Budget for 2021/22. There continues to

be a theme that the FOS expects to see more complex complaints, more cases involving customer vulnerability and ongoing fallout from the pandemic. In the plan, the FOS restate their strategic priorities as being enhancing their service, preventing complaints and unfairness from arising and developing their capabilities for the future. Within the plans, the FOS 2021/22 budget is also set out. Following proposals, feedback and subsequent approvals by the FCA, the final arrangements for 2021/22 are:

- A Compulsory Jurisdiction Levy of £96m, a smaller increase than anticipated in the consultation
- An increase of £100 to the FOS case fee to £750. This is for cases resolved after 1st April 2021
- Maintaining the free case allowance for individual firms

- No change to the group-account fee arrangement, which is made up of eight large business groups
- Freezing the minimum levy paid by the smallest firms the FOS cover
- A voluntary jurisdiction (VJ) levy of £1m for VJ participants.

The possible 2022/23 scenario is no change to the levy or case fee, although this will be subject to the assumptions and projections made, and will be subject to consultation.

The full plan and budget can be viewed at the following link:

<https://www.financial-ombudsman.org.uk/files/298949/plans-and-budget-2021-22.pdf>

Competitions and Markets Authority

- **CMA Annual Plan 2021 to 2022:** The CMA has released its annual plan for 2021/22. The plan highlights the continued focus of the CMA around:

- **Protecting consumers and driving recovery during and after the coronavirus pandemic, with particular focus on protecting the vulnerable and supporting the UK economy.** The CMA's work will focus on supporting the UK economy by fostering competition and consumer protection to promote innovation, productivity and growth, as the UK emerges from the pandemic. Equally, the CMA will continue to enforce competition and consumer law; carry out merger investigations and will intervene where necessary to protect consumers and competition, or when it believes it can improve the way in which markets work. The CMA will also continue to work with government and regulators on the important issues identified in the Citizens Advice super-complaint on loyalty penalty charges

and has welcomed the interventions already being taken by the FCA.

- **Taking its place as a global competition and consumer protection authority,** following the end of the transition period. Over the last couple of years the CMA has ensured it has the resources, skills and infrastructure in place to take on its expanded role following the UK's exit from the EU.
- **Fostering effective competition in digital markets,** but equally protecting consumers. Although digital markets can offer many benefits, they can also expose consumers to a range of harms.
- **Supporting the transition to a low carbon economy.** The CMA are continuing to develop capability to ensure that when delivering statutory functions, it is done in a way which supports the transition to a low carbon economy.

In addition, the business plan reinforces the ambition of the CMA to be closer to consumers by:

- Understanding Markets and Consumers better
- Explain why competition matters, and the CMA's work and priorities
- Advocate for consumers' interests

The full business plan can be viewed at the following link:

<https://www.gov.uk/government/publications/competition-and-markets-authority-annual-plan-2021-to-2022>

Just for Fun



Down

1. What must be done promptly on receipt of a complaint
2. What must be carried out competently, diligently and impartially on receipt of a complaint
5. The type of complainant that may refer their complaint to the Financial Ombudsman Service
8. What a firm must do with its Summary Complaints Data when reporting 500 or more complaints

Across

3. Type of response that must be issued to a complainant within 8 weeks of their complaint
4. Section of the FCA Handbook that sets out complaint handling rules
6. The type of communication that must be issued for complaints resolved within 3 business days of receipt
7. What must be indicated by a complainant, for their complaint to be considered as resolved

Answers:	
Across:	1 - Acknowledge
	2 - Investigation
	3 - Final
	4 - DISP
	5 - Eligible
	6 - Summary Resolution
	7 - Acceptance
	8 - Publish

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