

# THE COMPLIANCE JOURNAL

Regulatory Round Up - October 2020



Welcome to the October edition of the Commercial Express Compliance Journal. Understandably there has been lots of focus on the FCA's High Court Test case over the last few weeks and firms are continuing to work their way through the judgment handed down on the 15th September.

This Journal looks at a summary of other developments from the FCA and other updates from the Financial Ombudsman Service and Information Commissioners office, which we hope you will find useful.

We hope you enjoy this latest edition.

**Helen Holyoake, Risk Compliance and Agency Manager**



FCA Annual Report and Accounts page 1



General insurance pricing practices market study page 1



Blog: Accountability Framework: demonstrating your compliance page 2



Ombudsman News issue 153 / Quarterly Complaints Data page 2



Just for Fun page 3

## Financial Conduct Authority FCA Annual Report and Accounts

The FCA has published its Annual Report and Accounts, which looks back on the organisation's key pieces of work throughout 2019/20. Highlights from the FCA's work this year include:

- Measures to give immediate support for over 3.4 million consumers and for thousands of businesses affected by coronavirus (Covid-19)
- Continued work to prepare for EU withdrawal
- Driving change in the culture of financial firms with the extension of the Senior Managers and Certification regime
- Continued focus to help educate and inform consumers on scam prevention

- Saving some of the UK's most vulnerable consumers an estimated £19.6m a year
- Imposing 15 financial penalties on firms totalling over £224m for misconduct
- Receiving over 1,100 separate whistleblowing disclosures, covering nearly 3,000 separate allegations
- Assessed 824 incident reports – of which 790 were cyber or technology-related

A copy of the full report can be viewed here: <https://www.fca.org.uk/news/press-releases/fca-publishes-annual-report-and-accounts-2019-20>



## General insurance pricing practices market study

The FCA has released 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. Key findings were:

- Some firms gradually increase the price to customers who renew with them year on year. This is called price walking, which is not made clear to customers
- Most firms take into account the likelihood of customers switching provider at renewal when setting prices
- There are barriers for customers to make informed decisions and switch provider (stopping auto renewals in particular)
- The cost of attracting business is significant, which ultimately passes on to consumers
- Some consumers do not realise their renewal price may be uncompetitive, thinking any increases are industry wide and therefore do not switch provider
- Many consumers who frequently switch provider or negotiate their premium can get lower prices however this is time consuming and can impose unnecessary costs on firms and consumers
- The FCA's analysis of data shows that people who pay high premiums are less likely to understand insurance products or the impact that renewing with their existing provider has on their premium
- The analysis also shows that premiums paid by customers renewing year on year for more than 5 years are much higher

than those paid by new customers with 6 million policy holders paying high prices in 2018 – if they paid the average for their risk they would have saved £1.2bn.

**The FCA is therefore proposing the following remedies:**

- **Pricing Remedy:** Applicable to home and motor products which would require firms to offer a renewal price that is no higher than the equivalent new business price for that customer through the same sales channel
- **Product Governance:** Changes to the existing Product Governance rules to ensure firms have processes in place to deliver products that offer fair value to customers and include all general insurance and pure protection products regardless of when they were manufactured or adapted. The new requirements proposed apply to core products and additional products, including premium finance distributed alongside insurance products. The FCA are also proposing some disclosure requirements in relation to premium finance sold alongside insurance products, which is considered an enhancement of existing requirements
- **Auto Renewal:** Firms would be required to offer range of accessible and easy options for consumers who want to cancel auto-renewal on their contract, applicable to all retail general insurance products, not just home and motor insurance
- **Reporting Requirements:** New reporting requirements to help the ongoing supervision of the home and motor insurance markets.

The proposed remedies support the FCA's objectives of promoting effective competition in the interests of consumers and securing an appropriate degree of protection. The FCA

will put in place a strong supervisory approach to ensure firms comply with any rules they implement and will start to monitor the impact of these remedies immediately followed by a longer-term evaluation to understand how the remedies have affected the market.

The FCA are seeking views on the consultation by the 25th January 2021 and intend to publish a Policy Statement in Q2 2021 with their response to the consultation feedback and final rules.

Further details and a copy of the consultation can be found on the FCA Website at: <https://www.fca.org.uk/publications/consultation-papers/cp20-19-general-insurance-pricing-practices-market-study>



**Data Protection****Blog: Accountability Framework: demonstrating your compliance**

The ICO has launched a new Accountability Framework which is a practical tool aimed to help organisations manage their approach to privacy and to understand what good accountability looks like. The ICO recognises that the accountability requirement of data protection legislation can seem like a big task and data protection compliance is not a one size fits all. The Accountability Framework will help organisations set out a roadmap of what is required and is designed to help organisations identify the right steps to improve compliance. The framework is divided into 10 categories and contains expectations and examples of how organisations can demonstrate accountability. The framework is still in its beta stage and the ICO is inviting feedback on the tool while they continue to consult with stakeholders. For further information see <https://ico.org.uk/about-the-ico/news-and-events/news-and-blogs/2020/09/accountability-framework-demonstrating-your-compliance/>



*It starts with You!*

**Financial Ombudsman Service****Ombudsman News issue 153 / Quarterly Complaints Data**

In August the FOS published its Ombudsman News issue 153 which gave focus to the Quarterly Complaints Data for Q2 2020.

FOS confirmed a total of 57509 complaints were received between April & June 2020, with 32% of complaints resolved being upheld. The number of complaints received and referrals to the Ombudsman were reduced however when compared to Q4 2019/20 and Q1 2019/20. PPI remained the most complained about product. In terms of Covid-19, over 3500 complaints had been received by the FOS with almost a quarter of these being from consumers who had their travel

plans disrupted and have had their insurance claims declined by their insurer. Complaints about Business Protection insurance followed closely behind (20% of complaints) with the main trend from SME's being that they were unable to make a claim – the outcome of the FCA test case will provide guidance for the FOS in how they consider such complaints. Likewise, most travel insurance complaints referred to the FOS have been about how insurers have been handling claims for cancelled holidays as a result of Covid-19. Complaints about wedding insurance (in relation to cancellation and postponement cover) were also featured and complaints from customers trying to reclaim holiday costs or get money back via Section 75 of

the Consumer Credit Act for sports fixtures or concerts that could no longer be staged were also increased. At the height of lockdown, the FOS also received complaints from consumers whose claims for damage to property or vehicles were unable to be processed, as businesses were unable to send someone to inspect the damage.

<https://www.financial-ombudsman.org.uk/news-events/ombudsman-news-issue-153>

<https://www.financial-ombudsman.org.uk/news-events/published-latest-quarterly-data-q12020-21>



**Complaints**

## Just for Fun

The fair treatment of customers remains a high priority for the FCA and firms are expected to consistently show that the fair treatment of customers is at the heart of their business model.

The Treating Customers Fairly (TCF) initiative was initially introduced by the FSA back in July 2006, however, continues to be a core part of the FCA's priorities and business plans.

Alongside Principle 6 of the FCA's Principles for Business's – A firm must pay due regard to the interests of its customers and treat them fairly' lies 6 consumer outcomes that firms should strive to achieve to ensure fair treatment of customers.

Fill in the blanks to remind yourselves of what the outcomes are:

**Outcome 1:** Consumers can be confident they are dealing with firms where the fair treatment of customers is \_\_\_\_\_ to the corporate \_\_\_\_\_.

**Outcome 2:** Products and services marketed and sold in the retail market are designed to meet the \_\_\_\_\_ of identified consumer groups and are \_\_\_\_\_ accordingly.

**Outcome 3:** Consumers are provided with clear \_\_\_\_\_ and are kept appropriately \_\_\_\_\_ before, during and after the point of sale.

**Outcome 4:** Where consumers receive advice, the advice is \_\_\_\_\_ and takes account of their \_\_\_\_\_.

**Outcome 5:** Consumers are provided with \_\_\_\_\_ that perform as firms have led them to expect, and the associated \_\_\_\_\_ is of an acceptable standard and as they have been led to expect.

**Outcome 6:** Consumers do not face \_\_\_\_\_ post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a \_\_\_\_\_.

### Answers

- 1) central, culture
- 2) needs, targeted
- 3) information, Informed
- 4) suitable, circumstances
- 5) products, service
- 6) unreasonable, complaint



**CE  
LEARNING  
Online**



[Find out more](#)

**INSURING YOUR DEVELOPMENT**

This Regulatory Roundup is provided for information purposes only and provides only a summary of the topics contained within it. It should not be considered as legal advice or recommendation. Commercial Express do not assume any liability for any loss or damage resulting from your reliance on any information contained within this document.

Commercial Express Quotes Ltd is registered in England and Wales at B1 Custom House, The Waterfront, Level Street, Brierley Hill, DY5 1XH. Company No. 03862468. Authorised and Regulated by the Financial Conduct Authority.