

# Consumer Duty

The Countdown  
has started...

March 2023



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# Introduction

- In July 2022 the FCA confirmed its plans to introduce a new **Consumer Duty** that will set higher and clearer standards of consumer protection across financial services and require firms to put their consumers' needs first.
- The FCA has set up a **Consumer Duty** section on its website.
- **FCA's policy statement** (PS22/9) and **Final Guidance** (FG22/5) set out its full expectations of firms.
- The FCA hosted a **webinar on Consumer Duty** for firms, trade associations, professional bodies, and compliance consultants working in the retail lending sector to clarify its expectations and help firms prepare for implementation.
- During the session, the FCA covered the following areas:
  - Its expectations of firms under the Consumer Duty
  - The key milestones during the implementation period
  - It explained outcomes-based regulation
  - What the Consumer Duty means for the retail lending sector

[Click here](#) to view the FCA webinar recording.



# Overview

## New Consumer Principle 12

A firm must act to deliver good outcomes for retail consumers.

## 3 Cross Cutting Rules

These rules provide greater clarity on the FCA's expectations under the new Principle and helps firms interpret the four outcomes.

Firms should take reasonable steps to:

1. Act in good faith towards retail consumers
2. Avoid causing foreseeable harm to retail consumers
3. Enable and support retail consumers to pursue their financial objectives

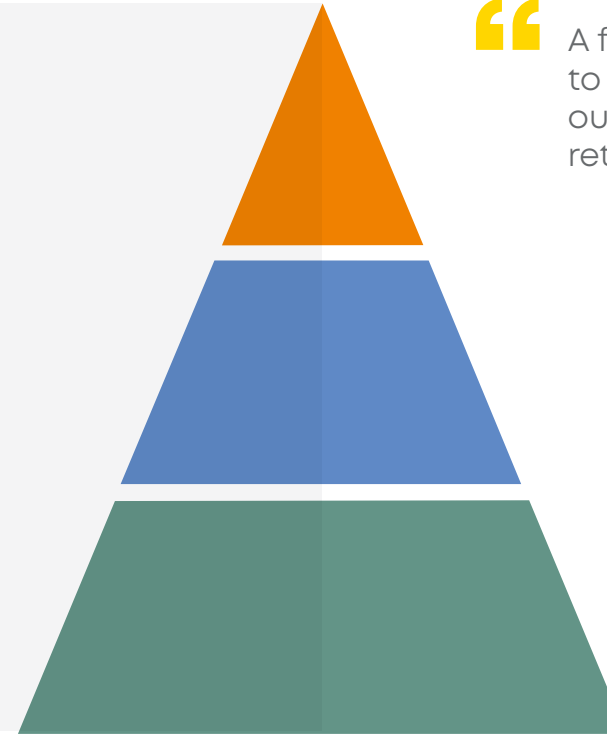
## 4 Outcomes

These represent key elements of the firm/consumer relationship which are instrumental in helping to drive good outcomes for consumers.

The outcomes are focused on:

- |                          |                           |
|--------------------------|---------------------------|
| 1. Products and services | 3. Consumer understanding |
| 2. Price and value       | 4. Consumer support       |

“ A firm must act to deliver good outcomes for retail consumers.



The cross-cutting rules cut across all four of the outcomes and you should consider this when putting together your plan. You must ensure everyone in your business is trained on this change.

The requirement for firms to enable and support consumers to pursue their financial objectives does not remove consumers' responsibility for decision making or, in itself, prevent consumers from making decisions that are not in their interests. But the FCA expects firms to take responsibility for establishing an environment in which consumers can act in their own interests. Firms must nevertheless understand and take account of behavioural biases and the impact characteristics of vulnerability can have on consumer needs and decisions.

# The clock is ticking to the next FCA deadline of 30/4/23

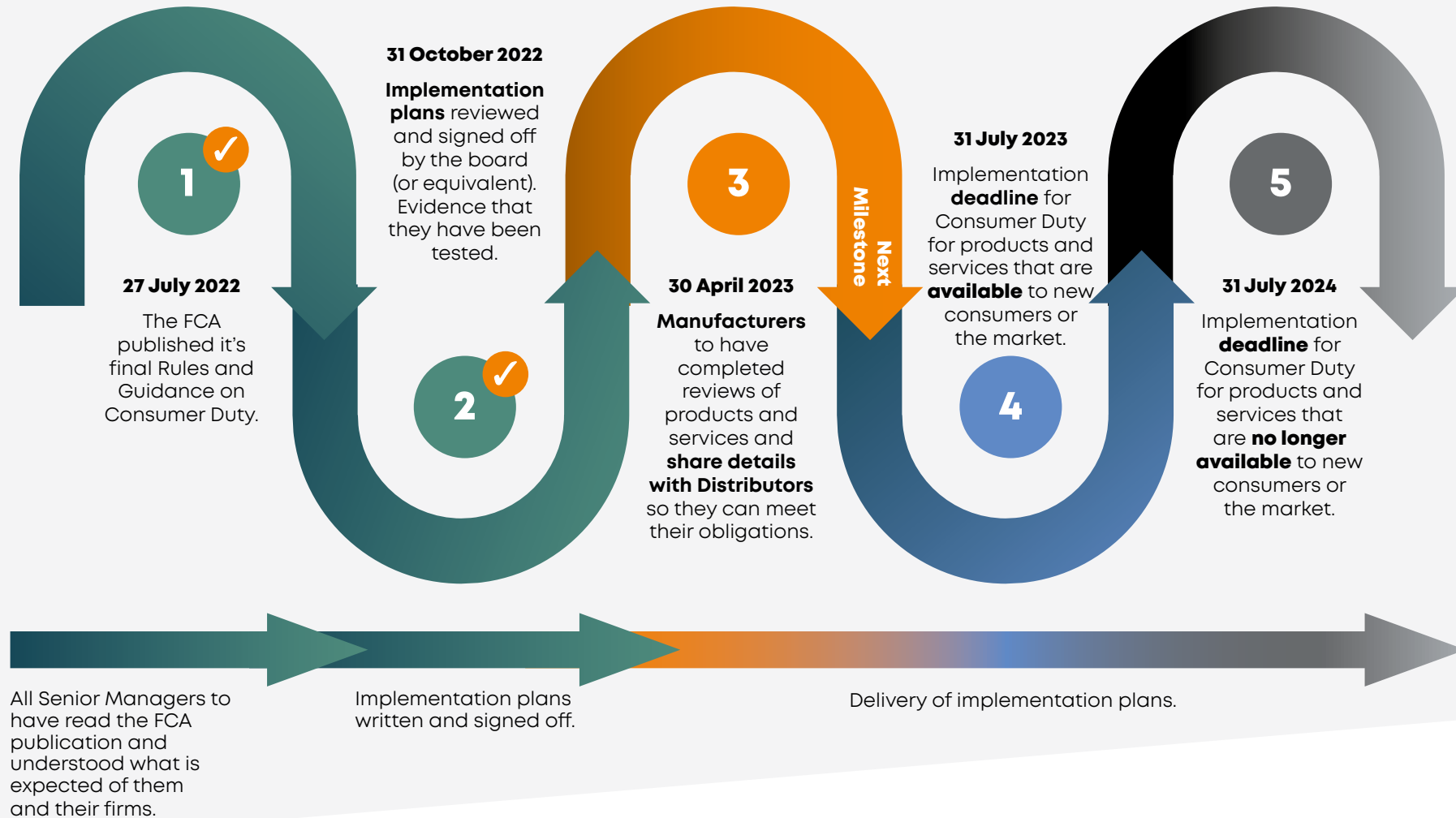
Roles and responsibilities of  
Manufacturers and Distributors



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# Consumer Duty – Countdown to April 30th 2023



# Definition of Manufacturers and Distributors

In order to understand how the consumer duty applies to your firm, you first need to understand your role in the consumer's journey.

## Manufacturer

Firms that create, develop, design, issue, operate or underwrite a product or service would be regarded as a product manufacturer.

- More than one firm may be involved in the manufacture of a single product.
- It is also possible that intermediaries may be co-manufacturers, for example if they set the parameters of a product and commission other firms to build it.

Aldermore is a **manufacturer** of retail lending products

## Distributors

Firms that offer, sell, recommend, advise on, propose or provide a product or service would be regarded as distributors.

Intermediaries are **Distributors** of retail lending products

The Duty applies across the distribution chain, from product and service origination through to distribution and post-sale activities. By the 'distribution chain', the FCA means all firms involved in the manufacture, provision, sale and ongoing administration and management of a product or service to the end retail consumer.

## **FCA's expectations of Manufacturers (PRIN 2A).**

Activities that we're undertaking in preparation for 30/4/23.

### **For each product that we manufacture we'll provide our distributors with**

- A detailed overview of the products that we design including the features and benefits of each product.
- As part of our design phase we'll ensure that consumers with any characteristics of vulnerability are not adversely impacted by our products.
- Clear guidance on the **target market** of consumers that we wish to benefit from our products.
- The value that we determine each of our products offer.

### **We'll provide our distributors with an overview of our enhanced oversight approach and expectations of how we will want to ensure that**

- Our products are distributed to our defined target market.
- Distributors can evidence that a consumer understands the financial product that they have bought and that it meets their needs.

### **We'll keep you updated on any changes we're making to our systems, processes and documentation.**

# Sharing of information between Manufacturers and Distributors

Firms should act to enable and support consumers to pursue their financial objectives at all stages of the consumer journey.

**The FCA** has set out its overall expectations for firms to monitor the outcomes their consumers are experiencing

**Manufacturers** must regularly review whether their products and services meet the identified needs, characteristics and objectives of the target market, including any identified for consumers with characteristics of vulnerability; distribution strategy remains appropriate for the target market; products or services have been distributed to consumers in the target market.

**Distributors** must regularly review whether: their distribution arrangements are appropriate and up to date; products and services have been distributed to consumers in the target market.

To support manufacturers' reviews, distributors must, upon request, provide relevant information, including, where appropriate, sales information, information on cancellations, and information on the regular reviews of their distribution arrangements.



**Visit**

[aldermore.co.uk/consumer-duty](https://aldermore.co.uk/consumer-duty)



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ARM908-0223-600371