



# Consumer Duty in review

---

Fairer Finance Talks

24<sup>th</sup> July 2024

[fairerfinance.com](https://fairerfinance.com)



# About Fairer Finance

Creating a fairer financial services market for consumers and the business that serve them.

Founded in 2014, Fairer Finance is a research and ratings agency, consultancy, and consumer group with a mission to create a fairer financial services market.

We do this by publishing our unique ratings – and by working with companies who want our help and expertise to do better.

We support insurers, banks, lenders, and asset managers in delivering good outcomes for their customers.



We have advised providers across all FCA-regulated markets, and non-regulated firms ahead of forthcoming regulation.

Familiar with how the regulator thinks and supervises firms, firms ask us the tricky issues that require the combination of our skills.

Our multi-disciplinary team includes experts in behavioural science, data science, economics, linguistics, and regulatory compliance.

# What we'll cover today

---

1. What we know about consumer decisions
2. The impact of the Consumer Duty so far
3. Discussion and Q&A

# Who we are

---



**James Daley**  
Managing Director

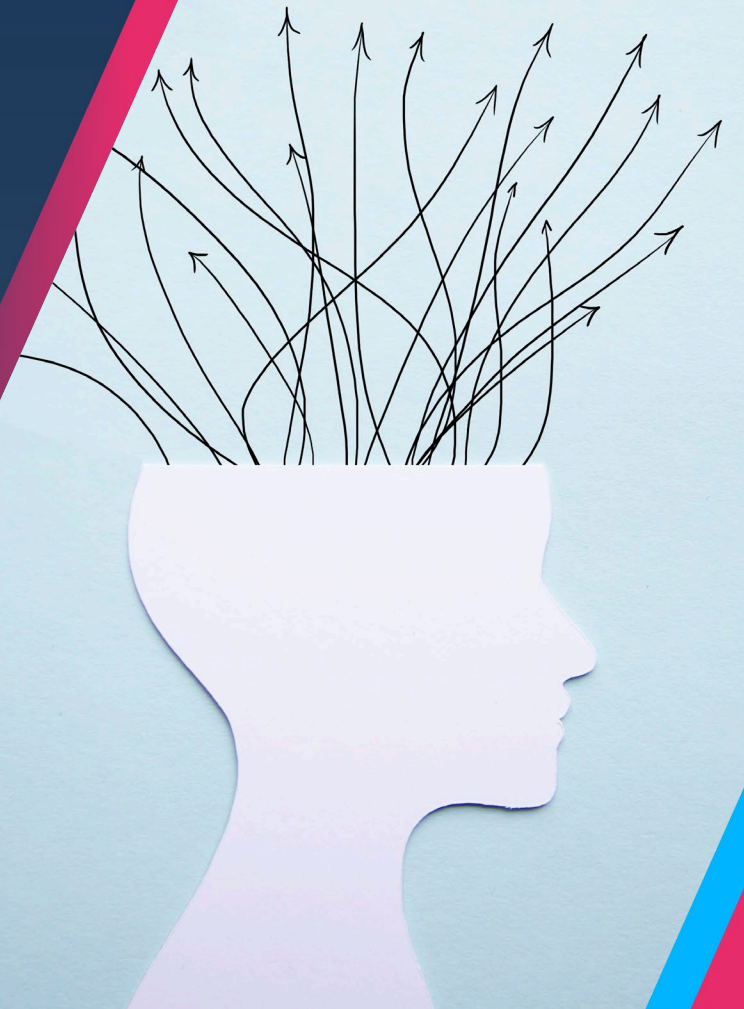


**Eve McGrady**  
Consultancy Manager



**Tim Hogg**  
Director

# What we know about consumer decisions



# Consumer Duty and Behavioural Science

---

- The Consumer Duty has elevated the importance of behavioural science
- Firms must take behavioural biases into account and understand how bias can impact customer decision making



# We are information foragers

---

- We hunt for the information based on skim-reading and our intuition of where the information is likely to be found
  - **Good signalling** is vital (structure, headings, etc.)
- When online, we read more quickly, are more easily distracted, and recall less information
  - **Positive friction** is sometimes required

a wealth of information creates a poverty of attention, and a need to allocate that attention efficiently...

Source: Herbert Simon as quoted by Hal Varian, Scientific American, Sept. 1995, p. 200.

Sources: Lanigan, S. (2024), 'Information foraging – navigating the digital jungle', Benartzi, S. and Lehrer, J. (2015), 'The Smarter Screen'.

# We face numerous and nuanced trade-offs

---

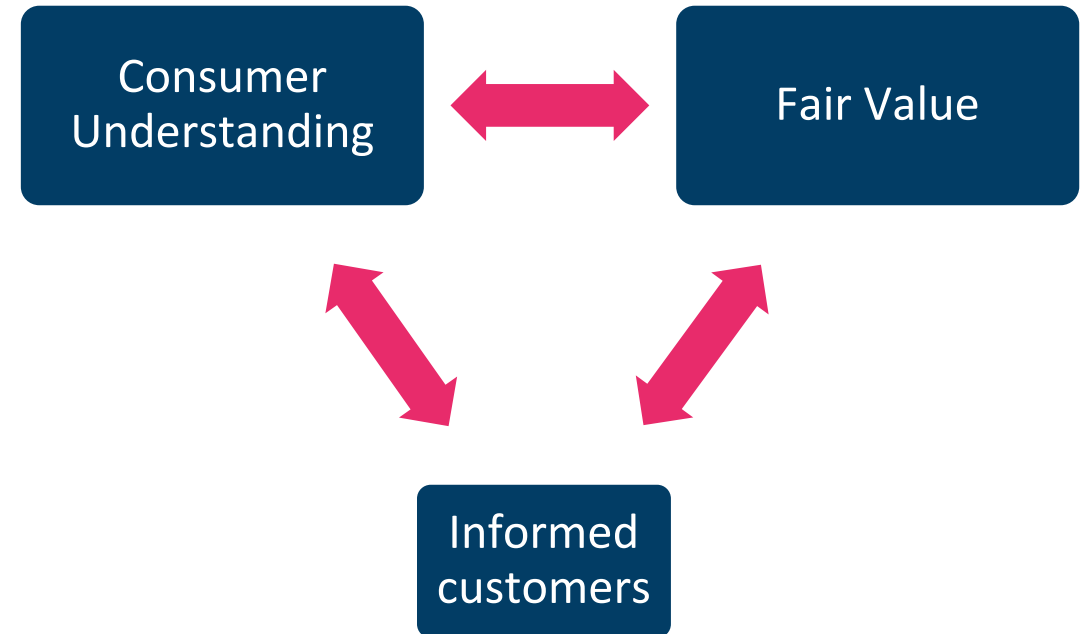
Within our limited time budget ('good enough' versus 'best'), we must weigh up...

- Risk – reward
- Flexibility – certainty
- Now – the future
- Short term – long term

# The impact of the Consumer Duty so far

# What has been the biggest impact of the Duty so far?

- We have seen the most visible change in Consumer Understanding
  - Thousands of letters, emails and Ts&Cs have been rewritten or created
  - Strengthening Fair Value has direct links back to Consumer Understanding



# Improved journeys

- Providers have introduced...
  - More optional video guides
  - Mandatory videos as part of applications
  - New online guides about product features and pricing (e.g. APR, excesses, etc.)

## What's an APR?

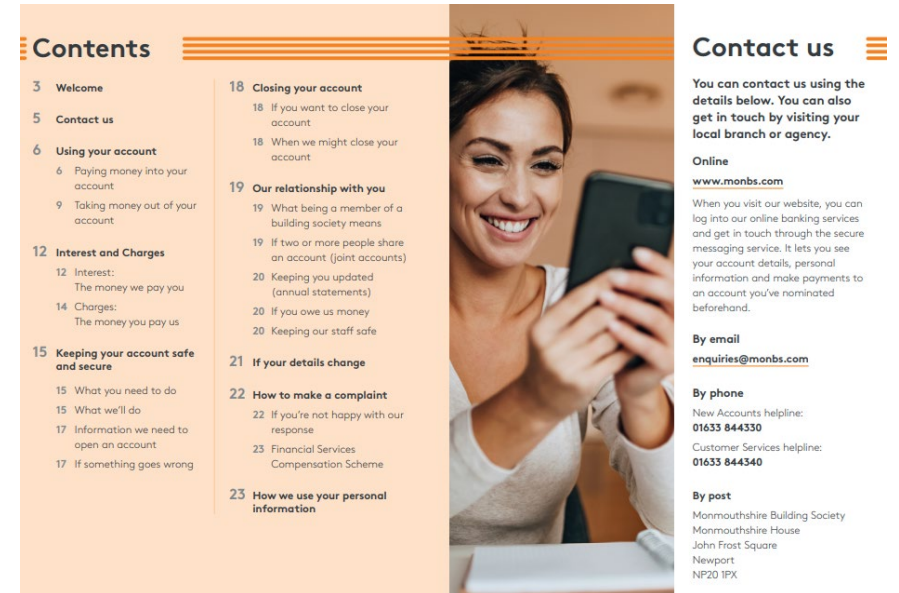


Source: Vanquis Bank.

# Improved documents

Providers have made efforts to improve the customer understanding of their Ts&Cs.

- Monmouthshire Building Society has our accreditation – the new document has a reading grade below 8.0
- The structure is improved so customers can find information easily
- The design makes the document more engaging and supports understanding



**Contents**

- 3 Welcome
- 5 Contact us
- 6 Using your account
  - 6 Paying money into your account
  - 9 Taking money out of your account
- 12 Interest and Charges
  - 12 Interest: The money we pay you
  - 14 Charges: The money you pay us
- 15 Keeping your account safe and secure
  - 15 What you need to do
  - 15 What we'll do
  - 17 Information we need to open an account
  - 17 If something goes wrong
- 18 Closing your account
  - 18 If you want to close your account
  - 18 When we might close your account
- 19 Our relationship with you
  - 19 What being a member of a building society means
  - 19 If two or more people share an account (joint accounts)
  - 20 Keeping you updated (annual statements)
  - 20 If you owe us money
  - 20 Keeping our staff safe
- 21 If your details change
- 22 How to make a complaint
  - 22 If you're not happy with our response
  - 23 Financial Services Compensation Scheme
- 23 How we use your personal information

**Contact us**

You can contact us using the details below. You can also get in touch by visiting your local branch or agency.

**Online**  
[www.monbs.com](http://www.monbs.com)  
When you visit our website, you can log into our online banking services and get in touch through the secure messaging service. It lets you see your account details, personal information and make payments to an account you've nominated beforehand.

**By email**  
[enquiries@monbs.com](mailto:enquiries@monbs.com)

**By phone**  
New Accounts helpline: **01633 844330**  
Customer Services helpline: **01633 844340**

**By post**  
Monmouthshire Building Society  
Monmouthshire House  
John Frost Square  
Newport  
NP20 1PX

Source: Monmouthshire Building Society – Savings

# Improved documents – not far enough?

- This provider’s policy wording has been improved from a design perspective. It makes use of colour, a large font size and white space to make the document engaging and accessible.
- However, the document still contains some longer sentences and jargon. This means the reading grade is still high.



**IMPORTANT INFORMATION**

This Policy only provides cover for Coronavirus related claims (meaning Covid-19 or SARS-COV-2 or any mutation or variation of these) if:

- you need to cancel or cut short your trip because you or a member of your family or travelling party are medically diagnosed with Coronavirus; or personally instructed to isolate by an NHS service or medical professional.
- you need medical treatment for Coronavirus while abroad. The General Conditions and Exclusions, and Special Exclusions for Section A and B still apply.

No other cover applies in respect of claims caused by or relating to medical pandemic or epidemic including Coronavirus

**DECLARATION OF MEDICAL CONDITIONS**  
You must read the following important information.

You must disclose to us if you or anyone else insured on this policy has:	
1	Taken any prescribed medication or required medical treatment within the last two years?
2	Been a registered in or out-patient at a hospital, clinic or GP surgery in the last two years?
3	Been advised of a terminal illness?

Source: ASDA Money’s Travel Insurance policy wording



**Non-travelling relatives**

You may have a close relative with a medical condition who is not travelling with you. In some cases, if their state of health deteriorates greatly, you may want to cancel or curtail your journey. Subject to all the other terms and conditions, such claims are covered if the relative’s doctor is prepared to state that at the date you booked your trip, he/she would have seen no substantial likelihood of his/her patient’s condition deteriorating to such a degree that this would become necessary. If the doctor will not confirm this, your claim is not covered. In the event of a claim the doctor must complete the medical certificate on the claim form.

Source: ASDA Money’s Travel Insurance policy wording

# Improved documents

---

We have seen improvements to Pensions and Investments communications.

- Radical approaches to the presentation of risk warnings in retirement 'wake up' packs
- Redesigned suitability reports



# Improved letters and emails

We have seen improvements to shorter communications

- Firms are more proactively prompting customers to consider their options and move to better products where possible
- The letter does not contain any interest rates, or a clear call to action

**make more of  
what you've got**

**Explore our range of savings products**

Dear

You're already saving with us. But we wanted to remind you that we've got lots of different savings options for you to choose from – and some could have your money working even harder for you.

Why not check out our range of accounts and see if you could be earning more interest?

## **Our savings accounts**

### **Savings Account**

Save any amount and get instant access to your savings at any time.

### **Fixed Rate Savings<sup>1</sup>**

Put away a lump sum for a fixed term of up to 13 months.

### **Cash ISA<sup>2</sup>**

Save without paying UK income tax on any interest earned. The value of any tax benefits depends on your individual circumstances. Tax rules may change in the future.

### **Bonus Savings Account**

Every month you leave your money untouched you get extra interest. You can still get at your money if you need to, but for that month the interest rate will be lower.

### **Regular Saver Accounts**

Save between £25 and £300 a month, up to £3,600 per year, and if you can go 12 months without touching your money, this savings account rewards you.

Source: First Direct email

# Improved letters and emails

We have seen improvements to shorter communications

- This provider does list the rates available with other accounts
- The subject line is impactful
- To improve it could show the customer's current rate

## Higher rate savings now available

Dear

We have increased the interest rates on our 1 and 2 year Fixed Rate ISAs that are now available to open. To see the rates and how to open any of these accounts, please check the table below.

### Your Fixed Rate ISA options at a glance

Your fixed rate savings options	Interest you could earn on your savings from 19 March 2024	How to open and manage the account
<a href="#">1 Year Fixed Rate ISA</a>	4.50% AER/Tax-free (fixed)	Open: Internet Bank, Banking app or in branch.
<a href="#">2 Year Fixed Rate ISA</a>	4.20% AER/Tax-free (fixed)	Manage: Internet Bank, Banking app or in branch.

Some accounts have conditions you will need to meet before you can open them.

Source: Nationwide email

# Evidencing understanding

---

Consumer duty asks firms to evidence that customers are understanding their documents. As a result we've seen an increase in:

- Customer testing as part of firms' internal processes
  - Quantitative approaches
  - Focus groups
  - Depth interviews
- Firms seeking accreditation for their documents



# Better customer support – more transparency

---

- Some providers are being more upfront about the customer service levels users can expect.
  - For example, Coventry Building Society is transparent about call wait times.
- Not far enough?
  - Customers informed about the progress and status of their complaint?

**Call us on**  
**0800 121 8899**

Monday - Friday  
Saturday  
Sunday  
Bank holidays

Yesterday, people waited on average

**13 seconds for savings enquiries**

**25 seconds for mortgage enquiries**

Source: Coventry Building Society

# Fairer pricing

The screenshot displays the 'Insight Portal' interface. At the top, there is a navigation bar with 'Insight Portal', 'Dashboard', 'Ratings Tables', and 'Tools'. On the right, there are 'Admin' settings and a user profile icon. The main content area is titled 'Consumer Duty Updates' with a megaphone icon. Below the title, it states 'We analyse updates affecting Consumer Duty across the industry.' On the left, there is a 'Filter updates' sidebar with two sections: 'By product type' with a search input, and 'By brand' with a dropdown menu showing 'Barclays' selected and another search input. A 'Reset filters' button is at the bottom of the sidebar. The main content area shows a date filter for '7 February 2024' and a headline: 'Barclays restructures fees on investment accounts and now offer interest on uninvested cash'. The text below the headline describes the changes: 'Barclays has restructured the fees on its investment accounts for new customers. For new customers the minimum monthly fee (£4) and maximum monthly fee (£125) have been removed. Fund dealing charges (previously £3/trade) have also been removed. New customers are now charged 0.25% up to £200,000 or 0.05% over £200,000. Previously the fees were 0.2% for funds and 0.1% for other assets (such as shares). Customers can now also earn interest on uninvested cash with 1.65% up to £10,000 and 1.15% for additional balances over £10,000. More information about these changes can be found [here](#).'

# Fairer pricing

---

- Cuts to fees
- Increased interest rates on credit balances
- A reduction in interest rates on sub-prime credit cards
- A reduction in 0% no fee credit cards
- A reduction in premium finance APRs
- A reduction in commissions



# Where might the Duty turn next?

---

- Markets with cross-subsidies
- 'Price' comparison markets
- Travel insurance
- Funeral plans
- Equity Release
- Investments
- Motor insurance
- Foreign Exchange



# Key takeaways

---

- Improve communications – start from a blank page and think big.
- Implement testing as part of your internal processes.
- If you are not competitive – what do you do to make customers aware?

# Discussion and Q&A

# Contact us

---

Tim Hogg

Director

t: 07498401717

e: [timh@fairerfinance.com](mailto:timh@fairerfinance.com)

James Daley

Managing Director

t: 020 3026 8542

e: [jamesd@fairerfinance.com](mailto:jamesd@fairerfinance.com)

Fairer Finance

Runway East

52-60 Tabernacle Street

London EC2A 4NJ

Follow us



Public

[fairerfinance.com](https://www.fairerfinance.com)