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Consumer Duty

Of particular interest to: firms that have a material influence over retail customer outcomes

In brief

The Consumer Duty ('Duty') sets a higher, clearer standard by requiring firms to ensure their products and services are fit for purpose and offer fair value. Note that whilst the focus of the Duty is on 'retail customers', firms that do not have a direct relationship with retail customers may also be subject to the Consumer Duty.

Summary

The Duty applies across the **distribution chain** (being all firms involved in the manufacture, provision, sale and ongoing administration and management of a product or service to the end retail customer) from product and service origination through to distribution and post-sale activities.

The Duty will apply to all firms that have a **material influence** over, or determine, retail customer outcomes. Although there is no specific definition of 'material influence', Chapter 2 of the FCA Guidance (FG22/5) provides some examples. In addition paragraph 2.29 ('Application to the wholesale market') explains "this could include firms in the wholesale market, **even if they do not have** a direct relationship with **retail customers**". Hopefully the Guidance also provides examples of firms where the Duty is **unlikely** to apply such as a portfolio manager whose role is limited to managing assets under a mandate determined by a professional client, where that client is entirely independent of the manager.

Those firms that do fall within the scope of the Duty should be aware that a new **Principle 12** has been added to the Handbook (PRIN) being "Consumer duty – "A firm must act to deliver good outcomes for retail customers". A new Chapter, PRIN 2A, will contain rules and guidance on the Duty. In addition COCON 2.1 ('Individual conduct rules') will be expanded with "Rule 6: You must act to deliver good outcomes for retail customers".

Implementation of the Duty will be in two phases:

- **Phase 1** will apply the Duty from the **end of July 2023** to all new products and services as well as to existing products and services that are still available
- **Phase 2** will apply from the **end of July 2014** when the Duty will apply to all closed products and services

The **FCA expects**:

- By the **end of October 2022** the management bodies of firms within scope should have agreed implementation plans
- By the **end of April 2023** manufacturers should have completed all the reviews to meet the outcome rules for their existing open products and services

Useful Links

[PS22/9 - A new Consumer Duty](#)

[FG22/5 - Finalised Guidance](#)

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