



MorganAsh

# Complying with Consumer Duty for mortgage and later life lending firms

Written by Andrew Gething



# Complying with Consumer Duty for mortgage and later life lending firms

Firms must:

- “Put consumers at the heart of their business and focus on delivering good outcomes for customers.”
- “Not seek to exploit customers’ behavioural biases, lack of knowledge or characteristics of vulnerability.”
- “Monitor and regularly review the outcomes that their customers are experiencing in practice and take action to address any risks to good customer outcomes.”

## The regulatory requirements

The FCA’s Guidance for firms on Consumer Duty (FG/22/5), which also includes vulnerability regulations, is almost here. It requires that lenders implement operational solutions by July 2023. In order to ‘deliver good outcomes for retail customers’ lenders must:

1. Have a detail understanding of consumer’s characteristics, including vulnerabilities and protected characteristics.
2. Enable consumers to disclose their needs.
3. Monitor consumers’ resilience and suitability through the lifetime of engagement.
4. Retain evidence of engagement, actions taken, and of processes implemented to minimise potential and actual harms.

## The route to Consumer Duty compliance

Simply recording a consumer as ‘vulnerable or not’ is too simplistic and subjective. It will either result in not enough detail being acquired to enable the appropriate operational actions, or too many potential clients being denied products.

Multiple characteristics must be captured, including health (both physical and mental) and lifestyle – as well as financial affordability, at a level of detail consistent with GDPR (the General Data Protection Regulation).

The most efficient way to meet the FCA’s Consumer Duty requirements is to put in place processes to collate detailed consumer characteristics data for all consumers. Not all customers will provide the data, and the data quality is open to biases, but this is the simplest way to meet most Consumer Duty requirements.

Management Information needs to be of sufficient quality and depth to identify which products and processes are performing well – and which may be causing harm, and therefore require modification to improve outcomes.

This is a major change to the industry. Those firms which fail to act are likely to face regulatory actions and lose any cases submitted to FOS. Those firms which do act will be able to gain considerable competitive advantage – through personalisation and loaning to a wider market.

## Build it from scratch, or get started now?

Firms have the option to build this capability themselves or to use third-party solutions. MorganAsh provide such a solution.

## The MorganAsh solution

MorganAsh provide a Consumer Duty compliance solution: The MorganAsh Resilience System, MARS. MARS is a secure, cloud-based system, which can be used to assess and monitor consumer characteristics. It uses a 'Resilience Rating' – a measure of consumer resilience – a bit like a credit score. This can then trigger appropriate 'next actions', as well as supplying the evidence required for reporting on Consumer Duty. The tool is highly configurable – as well as being easy to deploy.



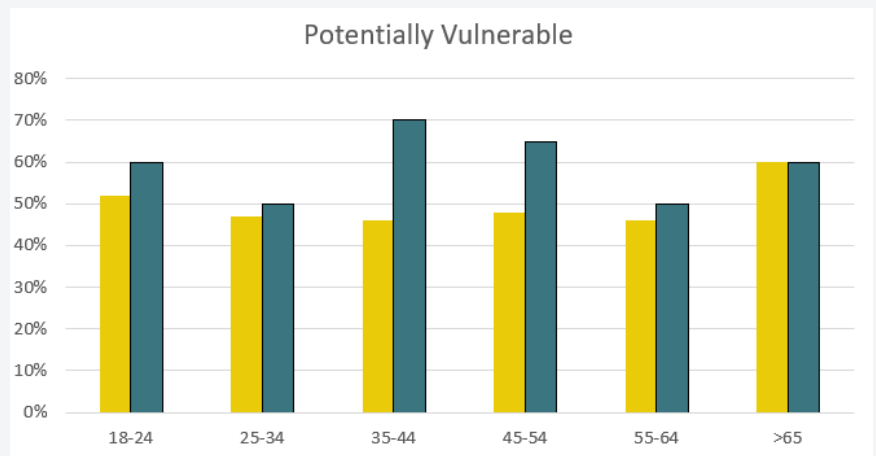
"To meet vulnerability and consumer duty requirements, firms need to understand the characteristics of their customers - and be able to manage and report the conduct risk. A move to more structured assessments that can provide consistent and objective data will provide management information that firms can utilise. The resilience rating within MARS tool would appear to be a positive first step."

— Robert Sinclair, Chief Executive at Association of Mortgage Intermediaries

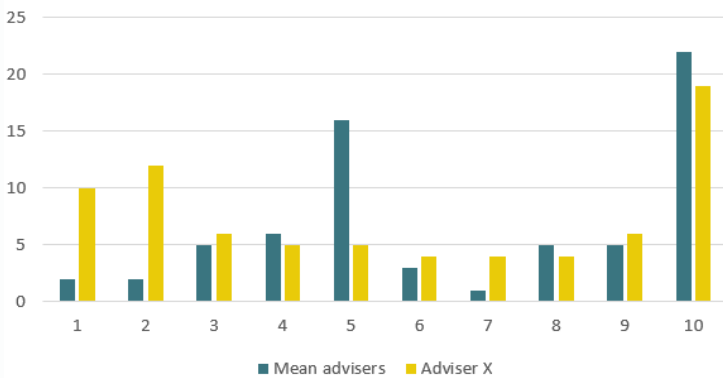


As firms need to monitor individuals for vulnerability. The easiest way to monitor many aspects of consumer duty, will be to collect the data at an individual level and then collate this for Consumer Duty.

A simple way to assess vulnerability is to benchmark against the FCA's financial lives survey. This should give an indication if vulnerability is being assessed appropriately.



Resilience Rating for Adviser X against mean



Assessing target markets has traditionally been assessed at a high level, but as we need to assess these across the value chain, then assessing at a more granular level is required. This becomes relatively easy, when there is an objective Resilience Rating and individual rating for each consumer characteristic.

Advisers and product manufacturers are required to monitor the consumer throughout the life of the product. Each can do this individually, but the sharing of consumer characteristics data (with consumer consent) is likely to be the most consumer friendly, easy to keep up-to-date and the most efficient method.

Connect with us



Ready to try MARS? >>> [Contact us today!](#)



[info@morganash.com](mailto:info@morganash.com)



Consumer Duty: managing vulnerability and resilience