



MorganAsh

Why sharing individual customer data is the practical solution to meeting Consumer Duty

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In July 2022, the FCA released the final version of its Consumer Duty requirements (FG22/5 & PS22/9). For current business, firms must implement this by July 2023. While the regulations do not require data to be collected from each consumer, collecting data on individual consumers will be the most efficient way for most firms to meet many of the Consumer Duty requirements. There are three main reasons for this.

The need to monitor outcomes

First, Consumer Duty requires firms to understand the characteristics and vulnerabilities of the customer. The FCA's Financial Lives survey reports that 50% of consumers are potentially vulnerable. Since there is no easy way to identify those who are vulnerable, the only reliable method is to assess all customers – and the easiest way to do this is by direct interaction with those customers.



Secondly, Consumer Duty requires firms to monitor outcomes and, where outcomes are poor, to assess processes across the value chain in order to understand the actions that have influenced or led to this. Therefore, firms must keep records of all interactions, right across the value chain – including the customers’ characteristics and circumstances – so they can assess what occurred in the customer journey to contribute to the poor outcome. It is difficult to see how any retrospective analysis can be undertaken if data on all customers is not obtained right from the outset of the customer journey.

Thirdly, to demonstrate compliance with the Equalities Act, firms must assess, and evidence, the protected characteristics of all customers. While some of this data may already be known from current processes, most firms will need to supplement this with extra data to cover all protected characteristics – and across all customers.

As well as being used to meet the requirements of consumer vulnerability and the Equalities Act, this data is also required for many aspects of Consumer Duty – including fair value assessments and target market assessments across the value chain.

And, while fair value and product design assessments will be made at a product level, the ability to summate individual customer’s characteristics and vulnerability data will be the most robust method for most firms.

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Robust data for evidence

Consumer Duty requires all firms to have this evidence, and to monitor this across the value chain throughout the life of the product. In a distributed market, the intermediary has the interaction with the consumer at the time of sale – and either the intermediary or the manufacturer maintains the relationship through the product life-cycle. The amount of monitoring of customer circumstances needed throughout the product's life has typically been minimal – and will need to be upgraded to meet Consumer Duty monitoring requirements.



To duplicate or to share data

It will be a poor (and frustrating) customer experience if the consumer needs to resubmit their personal circumstances for intermediary and, potentially, several manufacturers on a periodical basis. Equally, if one party is made aware of a material change, there will in most situations be a need to share this with the other parties. It will be a far, far better customer experience if consumer characteristics data is provided once and then shared between the different parties.

It follows that there is a need to have some way to communicate this data between firms, in a format that can be understood – just like credit data is shared between companies. To share data on customer characteristics and vulnerability, there needs to be a consistent, easy-to-understand method to communicate this data – both within and between firms.

Sharing data across the value chain

A digital solution is the obvious route to collate and manage this data – and, of course, with consumer consent evidence and robust security all built in.

The first reaction may be to firms to try and collect this customer data themselves, by adding to their current systems. However, this is highly unlikely to facilitate the sharing of data across the value chain – which really does need to happen.





A digital solution - MARS

To meet these needs, MorganAsh has created an objective easy to understand 'Resilience Rating' for measuring, monitoring, and communicating consumer characteristics and vulnerabilities. To ease the management of the 'Resilience Rating,' MorganAsh built a secure, cloud-based system, MARS, (the MorganAsh Resilience System) so that consumer data can be assessed, collated, and shared between intermediaries and manufacturers.

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Of course, some consumers may not be happy to share all of this sensitive data – and it will be impossible to have this data 100% complete and up to date all the time. The FCA has allowed for this, by not requiring this individual data to be collected for everyone. While vulnerability assessments do require an understanding of the individual, many of the other aspects, such as monitoring outcomes, fair value, and target market assessments, will be adequate with a proportion of data.

To meet vulnerability regulations, many firms focused on training staff to identify and manage customers with vulnerabilities. And, while progress varies across firms, this has been largely successful. However, as identified by the FCA in its latest review of 16 June 2022, it does not meet the reporting requirements of vulnerability – and will not meet the evidence and monitoring requirements of Consumer Duty.

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[Consumer Duty: managing vulnerability and resilience](#)

A more detailed technical paper on the above is available from MorganAsh on request.