



Checklist for Lenders in Complying with the Consumer Duty April Deadline

Factsheet – April 2023

Introduction

This fact sheet aims to provide a summary of guidance to assist Lenders to meet the FCA's outcome rules deadline on 30th April. It should be read alongside the example Information Sheet.

In this document, the term 'Lender' is used as a reference to denote 'Manufacturers', which, according to the FCA Consumer Duty, are firms that create, develop, issue, and/or design products (e.g. the Lender).

Background

Under the FCA's Consumer Duty, Lenders must ensure that their products provide fair value to retail customers and carry out value assessments of their products regularly. They are required to provide intermediaries with value assessment results without including sensitive information, allowing intermediaries to understand the product's intended value and meet their Consumer Duty requirements

FCA's Consumer Duty Rules

Lenders must make all appropriate information available to intermediaries to:

1. Understand the product or service characteristics.
2. Understand the identified target market.
3. Consider the needs of vulnerable customers.
4. Identify the intended distribution strategy.
5. Ensure the product is distributed in accordance with the target market.

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Purpose

In the FCA's Dear CEO Letter, finance providers and broking firms need to consider their respective roles in the product manufacturing and distribution process. Firms collaborating in this process must have a written agreement outlining their roles and responsibilities.

The purpose of the guidance provided in this fact sheet and the accompanying Information Sheet, should assist Lenders in effectively communicating the necessary information to intermediaries and ensure compliance with the FCA's Consumer Duty requirements.

Using the Guidance Document

- Lenders must populate the Information Sheet sections themselves.
- Lenders should determine the number of products and Information Sheets required based on their product characteristics.
- Information Sheets are designed for intermediary firms and are not intended for customers.

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Consumer Duty for Lenders- Checklist

1. Ensure fair value for retail target markets:

- a. Have you identified a target market of customers for whom your product or service is intended?
- b. Have you identified and defined the characteristics and objectives of your products' target market?
- c. Have you considered the needs and objectives of any customers with characteristics of vulnerability?

2. Conduct value assessments for products and services:

- a. Have you ensured that the products offered provide fair value to retail customers in the target markets?
- b. Have you reviewed and assessed the value of products based on their nature and duration?
- c. Have you considered your entire distribution chain and whether all characteristics from all parts of the distribution chain represent fair value to the customer?

3. Make all the required information available to intermediaries:

- a. Have you shared your target market assessment results with intermediaries, in sufficient detail so that they can:
 - i. Understand the characteristics of the product or service;
 - ii. Identify the target market;
 - iii. Understand the needs of customers with characteristics of vulnerability;
 - iv. Identify the intended distribution strategy and how the product will be distributed in the target market?

4. Maintain open communication with intermediaries:

- a. Have you established clear communication channels with intermediaries to facilitate the exchange of information and how you will maintain them?
- b. Have you collaborated with intermediaries to ensure they have all necessary information to meet the Consumer Duty requirements before the July 2023 deadline?
- c. Have you addressed any discrepancies or concerns with the information provided to intermediaries or have a documented plan in place of how you will deal with these in future?

5. Keep up to date on the FCA publications:

- a. Have you stayed informed on the FCA's requirements and updates regarding the Consumer Duty?
- b. Have you reviewed the FCA's Dear CEO Letter to Motor Finance Providers, the FCA's correspondence to Credit Brokers and any other relevant guidance?



Information and guidance sheet supporting the Checklist.

Checklist Item	Actions	Description	Methodology
1. Ensure fair value for retail target market	a. Have you identified a target market of customers for whom your product or service is intended?	Identify the target market for their products or services, considering the type of customers who would benefit from or be interested in the product or service.	Analyse the financial product or service and determine the target market that would be most likely to benefit from it. Consider factors such as demographics, financial needs, and preferences.
	b. Have you identified and defined the characteristics and objectives of your products' target market?	Identify the specific characteristics and objectives of the target market, considering factors such as age, income, credit history, and financial goals. This information will help the Lender to better tailor their product offerings to suit the needs of the target market.	Conduct market research and analyse customer data to gain insights into the target market's characteristics and objectives. Use this information to develop a comprehensive profile of the target market, including their financial needs and goals.
	c. Have you considered the needs and objectives of any customers with characteristics of vulnerability?	Consider the needs and objectives of vulnerable customers when designing and offering financial products or services. This ensures that the products or services are suitable for these customers and that they are treated fairly.	Identify the factors that may make customers vulnerable, such as low income, poor credit history, or disabilities. Consider how these vulnerabilities may impact their financial needs and objectives. Ensure that the product or service design, distribution strategy, and communication methods are tailored to accommodate the needs of vulnerable customers and promote fair treatment.
2. Conduct value assessments for products and services	a. Have you ensured that the products and services offered provide fair value to retail customers in the target market	Systematically evaluate the value of each product and service, considering its benefits and costs.	Develop a standardised assessment framework to measure product value. Include factors such as pricing, benefits, costs, and customer feedback. Apply this framework consistently to all products and services.
	b. Have you reviewed and assessed the value of products and services based on	Regularly update assessments to account for changes in the market or product and service characteristics.	Establish a regular review schedule based on the nature and duration of each product or service. Update assessments with new

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	their nature and duration?		information from market research, customer feedback, and changes in product or service features or pricing.
	c. Have you evaluated your entire distribution chain and determined if all characteristics from each part of the chain represent fair value to the customer?	Assess your distribution process, from product creation to the end consumer, and evaluate whether every element of this chain offers fair value to customers.	Map out the entire distribution chain, including all parties involved in the process (e.g., product manufacturers, intermediaries, and distribution channels). Analyse each part of the chain to identify the characteristics that impact the product's value for customers.
3. Make all the required information available to intermediaries	a. Have you shared your target market assessment results with intermediaries, in sufficient detail so that they can:	Share your target market assessment results with intermediaries.	Develop and implement a consistent format for sharing information with your intermediaries.
	i. Understand the characteristics of the product or service;	The information should be comprehensive and detailed enough for intermediaries to understand the product or service characteristics, address the needs of vulnerable customers, and implement the intended distribution strategy effectively.	Compile the target market assessment results, including the characteristics and objectives of the target market, as well as any data related to vulnerable customers.
	ii. Identify the target market;	Share details about product features and the intended customer base with intermediaries.	Determine the specific group of customers for whom your product or service is intended. This should be based on factors such as demographics, financial situation, and product preferences.
	iii. Understand the needs of customers with characteristics of vulnerability;	Assist intermediaries in identifying and addressing the requirements of customers with potential vulnerabilities.	Understand and consider the unique needs and objectives of vulnerable customers within your target market. This may include individuals experiencing financial difficulties, health issues, or other life events that can

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			affect their financial decision-making.
	iv. Outline the intended distribution strategy and ensure the product is distributed in the target market:	Inform intermediaries about the planned approach for marketing and distributing products.	Develop a clear plan for distributing your product or service within the target market. This includes selecting appropriate channels and methods for reaching potential customers while considering any specific requirements or preferences of vulnerable customers in your target market.
4. Maintain open communication with intermediaries	a. Have you established clear communication channels with intermediaries to facilitate information exchange and thought about how you will maintain them?	Foster open and transparent communication with intermediaries to ensure a smooth exchange of information.	Develop a communication strategy that outlines the preferred channels, frequency, and content of communications with intermediaries. Regularly review and update the strategy to ensure it remains effective.
	b. Have you collaborated with intermediaries to ensure they have all necessary information to meet the Consumer Duty requirements before the July 2023 deadline?	Work closely with intermediaries to support their understanding of and compliance with the Consumer Duty.	Organise joint meetings, workshops, or training sessions with intermediaries to discuss Consumer Duty requirements and share necessary information. Offer ongoing support and resources to address questions or concerns.
	c. Have you addressed any discrepancies or concerns with the information provided to intermediaries?	Identify and resolve any issues or misunderstandings related to the information shared with intermediaries.	Implement a feedback mechanism for intermediaries to report any concerns or discrepancies with the information provided. Designate a point of contact within the organisation to handle and resolve these issues promptly.
5. Comply with FCA's Consumer Duty rules	a. Have you stayed informed on the FCA's requirements and updates regarding the Consumer Duty?	Keep up to date with the FCA's rules, guidance, and expectations related to the Consumer Duty.	Monitor FCA publications, attend industry events, and subscribe to relevant newsletters or updates. Implement necessary changes in response to new rules, guidance, or expectations.

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	b. Have you reviewed the FCA's Dear CEO Letter to Motor Finance Providers, the FCA's correspondence to Credit Brokers and any other relevant guidance?	Understand and apply the insights and recommendations provided in FCA communications.	Regularly review FCA communications, identify key takeaways, and discuss the implications with relevant internal stakeholders. Develop action plans to address any areas of concern or non-compliance.
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Further Information

Further guidance on Consumer Duty can be found on the BVRLA's [Consumer Duty Resource Page](#).

The FCA Consumer Duty guidance can be found here: [Consumer Duty | FCA](#)

All members should ensure that they have read and understood the following guidance from the FCA:

[FG22/5: Final non-Handbook Guidance for firms on the Consumer Duty \(fca.org.uk\)](#)

[PS22/9: A new Consumer Duty \(fca.org.uk\)](#)

Contact

Please refer any further questions to:

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4.0	BVRLA Compliance Team	24/04/2023

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