

This month I'm looking at the Financial Services Authority (FSA) and their principles based regulation of retail financial products. Treating customers fairly (TCF) is the key phrase and TCF is the familiar, or possibly the soon to be familiar, acronym. I'd like to invite you to consider parallels in your own regulated or unregulated business and of course to compare the regime to the regulation of occupational pensions.

Treating Customers Fairly

A quick and very comprehensive introduction to the subject can be easily obtained via the frequently asked questions at the [FSA web site TCF FAQ](#)

Six outcomes have been defined to explain what TCF should achieve for customers, including –

1. TCF being central to the corporate culture.
2. Products and services must meet customer needs and be targeted accordingly.
3. Clear information must be provided before, during and after sale.
4. Any advice provided must take account of customer circumstances.
5. Products and services must provide what they say they will.
6. Barriers to changing product, switching provider, claims and complaints must be reasonable.

One reason for writing now is that by December 2008, all regulated financial services firms must be able to demonstrate to themselves and to the FSA that they are consistently treating their customers fairly. To do this firms must have the right management information (MI) in place to physically test whether they are treating their customers fairly. These management information systems should have been in place by the end of March 2008. I don't think this necessary management information can be stressed too much. Excellent examples of good and bad systems are provided via the [July 2006 paper "Considerations for TCF"](#) Things to look out for may therefore include –

- Staff induction and on-going training on TCF
- Key performance indicators (KPIs) for all grades that have TCF at the centre of things
- Sales commission rebates to reflect time spent.
- Senior management awareness of KPIs, persistency and selling patterns and profits.

A [June 2008 Progress Report](#) provides an update to FSA thinking and regulatory intentions. In particular, to meet the December deadline firms will have to –

- demonstrate that senior management have instilled a culture within the firm whereby they understand what the fair treatment of customers means; where they expect their staff to achieve this at all times; and where errors are promptly found by firms, put right and learned from;
- be appropriately and accurately measuring performance against all customer fairness issues materially relevant to their business, and be acting on the results;
- be demonstrating through those measures that they are delivering fair outcomes; and
- have no serious failings - whether seen through MI or known more generally - including in areas of particular regulatory interest previously publicised by the FSA.

Big brother will be watching! Big brother will provide examples of particular areas of concern. I would suggest a big name is likely to get some unwanted publicity in the New Year.

May I thank fellow independent consultant Harry Taylor FFA for bringing this subject to my attention and highlighting some key issues. All interpretation and emphasis is however totally my responsibility.

And finally; In case my opening challenge to consider pension parallels has not provoked thoughts of the next mis-selling scandal, may I just mention the introduction of Personal Accounts in 2012! Allegedly two million new savers might lose means tested benefits as a result of such saving via auto-enrolment. Would any financial services company not therefore suggest that public sector management systems should at least match those required in the private sector? Perhaps treating taxpayers fairly should be a political requirement.

As always, for further comment, assistance, advisory or trustee services, contact me on 07714 064964 or via allan@acmca.co.uk Feedback on Pension Snippets is always welcome. For further details, the full CV, occasional lecture notes and published articles and previous Snippets - visit the web site at www.acmca.co.uk