

FAIR PRICING AND THE CONSUMER DUTY



There is increasing focus on eligible firms meeting the Consumer Duty, particularly regarding price and value assessments. The challenge to collect and process data has significantly increased for firms with numerous products and distribution channels.

At the heart of carrying out assessments should be a framework to request, receive and analyse assessments from any sized distribution network, not just once, but ongoing. Firms that have not embraced a dedicated digital solution are struggling with emails and spreadsheets.

All firms should have already embedded the Consumer Duty into their culture and implemented any actions identified to ensure good consumer outcomes. However, the FCA emphasises the need for firms to reassess their implementation plans, ensuring they sufficiently deliver intended outcomes for consumers in their target market.

“The FCA state that fair price and value is the biggest challenge under Consumer Duty. Assessments lacking solid data and credible evidence is a key area for improvement.”

Fair Pricing Considerations

- 1 Are product prices relative to the benefits customer receive?
- 2 Have costs and benefits to consumers, including non-financial ones, been considered when assessing value?
- 3 Are product prices reasonable compared to similar products in the market?
- 4 Are regular value assessments conducted with customers to ensure the price of products provide fair value?
- 5 Are there elements of pricing structure that could lead to harm?
- 6 Are commission and margin levels appropriate for the products received by the customer?
- 7 Are claims acceptance and pay-out ratios reviewed appropriately?
- 8 Are commission and fee levels assessed for every link in the distribution chain?

Regulatory and Operational Framework

- 1 What data is being collected to achieve appropriate fair value assessments?
- 2 Does the organisation and its people understand the rules?
- 3 Can fair value assessment procedures be effectively demonstrated to auditors?
- 4 Are personnel involved in assessments provided with ongoing training and education?
- 5 Can fair value assessments facilitate robust decision-making?
- 6 Are strong internal controls and governance frameworks established?
- 7 Are partners and suppliers within the distribution chain assessed to ensure compliance with fair value?
- 8 Are processes automated and scheduled for repeated and continual monitoring?

“The FCA reiterated the duty upon firms to notify the FCA if another firm in the distribution chain is not complying with the Consumer Duty including, for example, if it is not complying with information sharing requirements.”

(Consumer Duty: Not Once and done speech by Nisha Arora, FCA, 1/11/23)

How REG Can Help

The automation of assessment creation, distribution, collection, and collation is at the heart of REG Exchanges. The powerful supply chain oversight tool is designed to address the challenges of automating fair value assessment processes. The unique Chains feature allows data to be collected from every link of a distribution chain, maintaining privacy throughout the chain, but giving suppliers complete oversight. To find out how REG Exchanges can automate your processes of data collection [arrange a time with one of our consultants.](#)