



Institute  
and Faculty  
of Actuaries

# IFoA Life Conference

FCA Consumer Duty: Price and value for  
unit-linked pensions and savings

# FCA Consumer Duty

## Background

### FCA is reviewing

Firm implementation of the price and value requirements for non-workplace pension and saving products which invest in unit-linked funds.

### The Consumer Duty

- Requires firms to 'act to deliver good outcomes for retail customers'
- Consumer Duty implementation:
  - Open book - 31 July 2023
  - Closed book - 31 July 2024

### The Price and Value outcome of the Consumer Duty

- Aims to ensure the price the customer pays for a product or service is reasonable compared to the overall benefits.
- Chapter 7 of 'FG 22/5: Final non-Handbook Guidance for firms on the Consumer Duty' provides guidance on how to meet the requirements of the Price and Value outcome of the Duty.

# FCA Consumer Duty

## Scope

### Non-workplace pensions and savings

- This part of the market is >£500bn
  - c.75% is pensions, c.25% savings and life products
- Over 15m customers

### Many of the policies are in products which are closed to new business

• Books of business have changed hands	• Complex charging structures	• High numbers of product variations
• Small pots	• High proportion of 'goneaways'	• Complex fund offerings exist

- We are considering what changes firms could make to deliver improved outcomes for customers in future.

# FCA Consumer Duty

## The role of actuaries in Consumer Duty – a reminder

### TAS 200 update

- Updated, following consultation, in September 2024 to reflect developments in insurance – including changes to consider the implications of the Consumer Duty on actuarial work.
- The FRC regards the Consumer Duty as a regulatory obligation relating to customer outcomes and agrees that actuaries can play an important role in effective communications to customers.

### What areas of actuarial work will be impacted?

The Consumer Duty could have significant implications for technical actuarial work in:

- Setting assumptions
- Re-pricing portfolios
- Sale and purchase of product books
- Communicating with customers clearly
- Assessing fair value

*The FRC considers the new provision to represent current good practice.*

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## What constitutes fair value?

### Key considerations:

#### Product Benefits

- From guarantees to online access

#### Costs and charges

- Across the value chain
- Lower charges don't always mean better value

#### Investment outcomes

- Poor investment outcomes don't always mean poor value

#### Level of service

- Adequacy of communications

#### Benchmarking

- Against similar market products, older vs. newer products

#### Outcomes for different customers

- Including vulnerable customers

**Robust and clear governance - enabled by effective outcome monitoring and MI - is key to delivery of good value.**

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Building on existing requirements



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## Initial observations

**As we knew - the landscape is complex:**

- Large numbers of product variations
- Large numbers of funds
  - Significant variety of charges and benefits
- Lots of small pots
- How to **identify poor customer outcomes**.... not always straightforward
  - Data quality issues persist
- How to **improve value**....is not always straightforward

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## What actions firms are taking

**Market wide:** There is evidence of lots of ongoing initiatives to deliver better value to customers.

- Product and fund rationalization.
- Reducing charges
- Analysing product benefits

**Possible barriers holding back firm action:**

**Existing rules  
and legislation**

**Concerns  
about future  
FOS  
decisions**

**Complexity  
and cost of  
change**

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## Next steps

- Engagement with individual firms.
- Engagement with other bodies – ABI, FOS.
- Further consideration of potential barriers which exist.
- **FCA is keen to see firms taking action to improve value for customers across products.**
- Consideration of wider market context:

**Pension Schemes Bill**

**Advice Guidance  
Boundary Review**

**Pensions  
Dashboards**





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