



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.

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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.

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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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