



# Consumer Duty Dear CEO Letter

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## Disclaimer

The information provided is for guidance only. It is not legal advice and must not be relied upon as such. You are solely responsible for ensuring you meet the regulatory requirements for your business.

## Dear CEO

This is the 2nd in a series of Consumer Duty updates for our introducers, following our introduction in October.

[Click to view - An Introduction to Consumer Duty](#)



We have been working hard behind the scenes to gather information we can share with you, that will support you with your Consumer Duty implementation plan, from a variety of sources and firms across the motor industry.

On the 3rd of March the FCA published their Dear CEO letter to credit brokers, outlining their expectations of firms, as well as further details on how the duty applies to brokers, including motor finance.

[Click to view - Implementing the Consumer Duty for Credit Brokers](#)



No matter what the size of your business, the FCA has said in the letter:

**“Credit brokers of all sizes in the sector should be prepared to discuss the Consumer Duty with us and to provide us with information on the reviews and assessments they have conducted as part of the embedding process.”**



There is also quite a lot of content regarding the different roles of firms within the distribution chain. We will be coming back to you on this subject at a later date, as we continue to work through how that fits with ourselves as a secondary broker and you as the retailer.

## Key expectations for embedding the duty include:



### Do

- Design services that meet the needs, characteristics and objectives of a specified target market.
- Design a credit broking service that gives accurate information to customers and accurately reflects the service offered.
- Offer products and services that provide fair value with a reasonable relationship between the price consumers pay and the benefit they receive.
- Ensure, if you charge customers fees, that the fair value aspects of the Duty are taken into account.
- Communicate in a way that supports consumer understanding and equips consumers to make effective, timely and properly informed decisions.
- Provide prominent, sufficient, and timely information about services provided.
- Provide support that meets consumers' needs throughout the life of the product or service.
- Ensure staff have sufficient training, knowledge and experience.
- Consider if you broker credit digitally (i.e., online) how you can ensure customers' queries can be answered or signposted effectively.

### Don't

- Have unnecessary and harmful barriers that restrict customers from acting in their interests.
- Seek to exploit customers' behavioural biases.

## There are a number of considerations we have taken from the letter that we think you should consider:

- Are you acting within your own FCA permissions, and are the permissions you hold relevant to the activities you conduct? (For example if you have limited permissions as a credit broker this should be secondary to your main business – motor sales)?
- Are you clear to your customers about your regulatory status and have you made sure you only have the permissions you need?
- Are your details on the FCA register correct – if you have changed your legal status (e.g. from a sole trader to a limited company) have you submitted a new application to the FCA?
- Do you ensure that the senior managers in your business (including maybe yourself) have disclosed any criminal convictions to the regulator?
- We are aware that some firms in our sectors have been the target of financial crime in the last 12 months. Does your firm have the appropriate controls to defend against financial crime, including protecting your customers and employees data?
- Do you have an appropriate level of oversight of your staff and do you give them adequate training?

- Do you support consumers in line with Consumer Duty? Are you flexible if needed (e.g., vulnerable customers) and do you make sure you don't put barriers in their way? (E.g., when making a complaint etc.)?
- Are you effectively managing the remuneration and incentives of your staff to make sure they don't affect customer outcomes?
- As a business, make sure you don't operate any banned discretionary commission packages (as per PS20/8 Commission models and disclosures).
- Make sure your distribution strategies are appropriate. For example, where customers are passed to other companies, including other brokers, the customer is made aware that this is happening and the reasons for it.
- Do you test and monitor your communications with customers to make sure they are effective and understood?
- Ensure all information provided is prominent. How many lenders you work with; who you may pass customer details to and for what purpose; and in all financial promotions.

## Financial promotions

In 2022 we wrote out to you regarding the FCA's previous Dear CEO on financial promotions covering issues including guaranteed acceptances.

[Click to view - Dear CEO](#)



You need to make sure you align to this and all financial promotions rules in general. Our Financial Promotions Guide, as always is here to help you meet the requirements.

[Click to view - Financial Promotions Guide](#)



As always Evolution Funding are here to support you with any regulatory change. We hope you find all the information we have given you helpful in getting to grips with Consumer Duty requirements.

If you have any questions please speak to your Account Manager.

**Evolution Funding Risk & Compliance Team**