

Beyond the Basics: Preparing Your Annual Consumer Duty Board Report

Setting the scene

The Duty has undoubtedly enhanced the standards that a firm needs to deliver. It is designed to be a proactive mandate of delivering good outcomes to clients.

If we think about all the work that firms have done in order to change the way they work over the last two years, the annual Board Report becomes fundamental in demonstrating the progress of a firm's commitment to this Duty.

It shouldn't be looked at as just a compliance exercise; it is a strategic document that evidences your firm's culture, identifies areas of good practice, and maybe just as important, highlights and addresses areas of potential harm. It's effectively a road map for the business.

This feedback loop of recognising progress and identifying areas that can still be improved is the type of progress that the regulator is looking for.

Key FCA expectations

- Evidence-based assessments were a key focus of the regulator's 2024 Consumer Duty Board Report review. If a firm is making a statement about delivering good outcomes, how is this being evidenced? Is the firm able to provide relevant Management Information (MI) that demonstrates those outcomes have been achieved?
- The report should reflect a culture that prioritises consumer needs and is driven by senior leadership.
- The FCA will look for evidence of robust discussion and challenge at the board level. This may be documented within the report itself or in supporting meeting minutes.
- The report must not only identify issues but also include a clear action plan with assigned owners to address any shortcomings. This action plan should then be revisited in the next annual board report to demonstrate the progress made.

What is good MI?

- The FCA has mentioned that the Board Reports it reviewed in 2024 relied heavily on high-level MI.
- Good MI is a blend of quantitative and qualitative data that moves beyond "what" happened to explain "why" it happened and what the impact was on the client.
- It should be tailored to your client base, services, and the specific outcomes you have previously defined for your clients.

- Before you can measure whether your clients have received good outcomes, you must define what a good outcome actually looks like for your specific client segments.
- You likely already collect a wealth of data. The key is to analyse it through a Consumer Duty lens. For example, what data do you capture that can be tied back to the outcomes of the Duty?

Examples for the Products and Services outcome

To ensure the products and services you recommend are designed to meet the needs, characteristics, and objectives of your target clients.

| Area | Good MI Examples | Commentary and Analysis |
|--|---|--|
| Annual review completion rates | <p>Percentage of clients who have had their annual review within the agreed timescale.</p> <p>What does this show us? E.g. X number of decumulation clients received updated cashflow modelling assessments. X number of clients received fund switches or objective changes based on receiving an annual review, meaning the proposition is working as intended.</p> | <p>Demonstrates proactive client management and ensures ongoing suitability. Analyse any delays and their root causes.</p> <p>Be sure to tie this back into why this is a positive (i.e. ensures clients are still on track, that their product remains suitable, that they understand their proposition / charges etc.)</p> |
| Client segmentation data | <p>Analysis of which client segments hold which products and how this aligns with the firm's desired outcomes for each segment.</p> <p>How many clients changed segments/cohorts within the period? Is this type of data tracked to understand the firm's client base on a regular schedule?</p> <p>If there are examples of negative target markets, explain why this is still deemed appropriate.</p> | <p>Evidence that products are being recommended to the appropriate target market.</p> |
| Due diligence records on recommended products / providers | <p>Evidence of a robust selection and review process.</p> <p>How did the proposition change?</p> <p>How did these changes positively impact clients?</p> <p>Did the firm's tolerances or views change within the period? If so, why?</p> | <p>Shows that you are taking steps to ensure the products you recommend are fit for purpose.</p> <p>This ties into PROD responsibilities and therefore is hopefully already embedded in the firm and this area can be expanded upon to demonstrate the additional steps a firm now takes in this area.</p> |



| Area | Good MI Examples | Commentary and Analysis |
|--|--|--|
| Client feedback on product performance vs. expectations | Survey results or notes from client meetings. | Provides a direct measure of whether the products are delivering as the client expected. |
| Vulnerable client product holdings | Analysis to ensure vulnerable clients are not concentrated in high-risk or complex products inappropriately. | Demonstrates a focus on protecting vulnerable clients from foreseeable harm. |

Examples for the Price and Value outcome

To ensure there is a reasonable relationship between the price clients pay and the overall benefit they receive.

| Area | Good MI Examples | Commentary and Analysis |
|---|--|--|
| Fee and charging structure review | Evidence of a formal annual review of your charging structure against the services provided. | Demonstrates that you are actively assessing the fairness of your fees. It is important to include what metrics you have compared against if that has formed part of your analysis. |
| Client survey results on their perception of value | Questions such as: How likely are you to recommend our services to a friend, family member, or colleague based on the value you feel you receive? Overall, how would you rate the value for money you receive from our services? | Direct feedback on a key component of this outcome. Investigate any negative responses to understand the reasons. If the feedback is not what you were hoping for, this presents a good opportunity to understand how you could improve upon the service proposition. |
| Analysis of client retention rates | High retention can be an indicator of perceived value. | While not a standalone measure, it can support your assessment of value. Analyse reasons for any client departures. |



| Area | Good MI Examples | Commentary and Analysis |
|--|--|--|
| Comparison of charges for different client segments | Ensuring fairness and consistency but also demonstrating the firm is aware of any cross subsidisation and why this is within firm tolerance. | Helps to identify any potential for certain client groups to be paying disproportionately high fees. |
| Profitability analysis of different services | To ensure that charges are fair and not excessively profitable for the firm. | Provides an internal check on the reasonableness of your pricing. |

Examples for the Consumer Understanding outcome

To ensure you are communicating in a way that equips clients to make effective, timely, and properly informed decisions.

| Area | Good MI Examples | Commentary and Analysis |
|---|--|---|
| Client "teach back" exercises | During meetings, asking clients to explain their understanding of your recommendations. | A powerful qualitative measure to ensure genuine understanding. |
| Complaint data and evidence of the root cause analysis | Number of client queries or complaints related to misunderstanding of advice or documentation. | A direct indicator of where your communications may be failing. Conduct a root cause analysis of these queries. |
| Focus testing projects | A/B testing of different communication formats (e.g., video summaries vs. written reports). | For larger firms, this can provide valuable insight into what works best for your clients. For smaller firms, you can focus test with either a 'critical friend' or staff members who are not usually involved in the document writing process for feedback. |
| Review of communications for vulnerable clients | Ensuring they are tailored and accessible. | Demonstrates that you are considering the specific needs of vulnerable clients in your communications. |



Examples for the Consumer Support outcome

To provide a level of support that meets clients' needs throughout their relationship with your firm.

| Area | Good MI Examples | Commentary and Analysis |
|--------------------------------------|--|---|
| Call and email response times | Tracking how quickly you respond to client enquiries. Did this result in any tangible benefits to clients? | A basic but important metric of the timeliness of your support. |
| Complaint analysis | Root cause analysis of all complaints, including informal grumbles. Time taken to resolve issues or complaints. How did the complaints result in change? | A crucial source of MI. Look for trends and systemic issues. Measures the efficiency and effectiveness of your support processes. Smaller firms can review FOS decisions to identify trends that may be relevant to their business model. |
| Training Initiatives | Staff training records on client service and vulnerable client handling. How is training conducted? Has this changed over the last two years to become more engaging for staff? | Demonstrates your investment in ensuring your team has the skills to provide effective support. |
| Analysis of client journeys | Identifying where clients struggle or drop off in your processes (e.g., onboarding). Were process journeys reviewed to understand where potential harm might occur? | Proactively identifies areas for improvement in your support model. |

Things to avoid

- Making broad, unsubstantiated statements without supporting MI.
- A report that is too high-level and lacks the granular detail needed for proper scrutiny.
- Failing to specifically consider and report on the outcomes for vulnerable clients.
- Actions are not specific, measurable, assigned, or time-bound.

Conclusion

Being 'Consumer Duty Ready' is an ongoing journey, not a one-off project. Your annual Board Report is a checkpoint on that journey that over time will show the steps a firm has taken to challenge themselves to continuously put their clients first.



Get in touch

Need help with your Consumer Duty Board Report? We're offering a free review to check whether your draft meets FCA expectations. You'll get clear, practical feedback on your use of MI, evidence of outcomes, and any gaps to address.

Get in touch at info@thistleinitiatives.co.uk or call **020 7436 0630** to speak with our team.

Meet the experts



**Paul Caine,
Associate Director**

As an Associate Director and a dedicated member of the Chartered Insurance Institute, Paul consistently demonstrates his commitment to upholding the highest standards expertise in the industry. His involvement in Section 166 projects underscores his dedication to enhancing the industry's integrity and regulatory compliance.

Connect on LinkedIn



**Thomas Purcell,
Compliance Consultant**

Tom has worked in compliance for over a decade and is diploma qualified through the Chartered Insurance Institute. He strives to deliver practical solutions for companies of all sizes to ensure that they can confidently meet their regulatory responsibilities.

Connect on LinkedIn



020 7436 0630
www.thistleinitiatives.co.uk
info@thistleinitiatives.co.uk

Thistle Initiatives 2nd Floor, 4 St Paul's Churchyard, London EC4M 8AY

Thistle Initiatives Limited is registered in England & Wales. Company registration number: 07078648
Thistle Initiatives Limited is registered for VAT. VAT registration number: 195294077