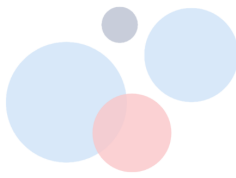


# How to comply with new **FCA** **Consumer Duty**





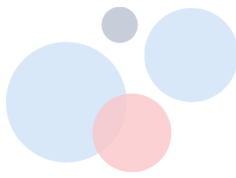
# Introduction

In the third quarter of 2022 alone, a total of 108.9 million accounts were breached (Source: [Info Security Magazine](#)). This was a 70% increase since the previous quarter. Such breaches, along with the rise of fraudulent activities have made Data privacy and protection a matter of great concern globally. According to research done by [McKinsey](#), “87% of consumers would not do business with a company if they had concerns about its security practices.”

Regulatory bodies are enforcing stricter guidelines that will force companies to go the extra mile to protect the common consumers. The stakes are high for companies to remain compliant. Failure to meet the compliance requirements and standards could result in hefty fines, penalties, further legal action, and loss of customers’ trust in the brand. McKinsey’s research also revealed that “71% said they would stop doing business with a company if it gave away sensitive data without permission”.

Therefore, complying with these laws and practices lies in the best interest of a company on all counts, ethically, financially, legally and strategically. Companies need to stay on top of the game and stay up to date with the latest sets of rules and regulations.

For instance, in the UK, the Financial Conduct Authority (FCA) announced a new set of consumer duty rules and guidelines that will come into effect by 31st July 2023. This implies that financial institutions in the UK have until 31st July to establish systems and solutions in place to subscribe and become compliant with the new FCA Consumer Duty when applied to new and existing products or services open for sale or renewal. FCA poses quite a challenge for firms. In an [interview with Investment Week](#), the FCA’s executive director of consumers and competition, Sheldon Mills noted the “scale of reform” and the “substantial changes” it demands.



The FCA wants firms to look out for their retail customers and pay special attention to their vulnerable customers. The [FCA](#) guidance on the new consumer duty even states:

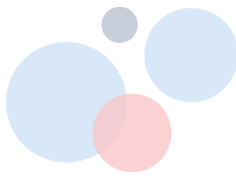
***“rules require firms to consider the needs, characteristics and objectives of their customers – including those with characteristics of vulnerability – and how they behave, at every stage of the customer journey. As well as acting to deliver good customer outcomes, firms will need to understand and evidence whether those outcomes are being met.”***

The new consumer principle calls for firms to act in a way that delivers favourable and good outcomes for retail consumers. The new principle requires companies to adhere to the following rules:

- act in good faith
- avoid causing foreseeable harm
- enable and support retail customers to pursue their financial objectives

These rules must be followed in all integral interactions with consumers and anything key to the consumer's relationship with the firm. This will help drive good outcomes for customers. These outcomes relate to:

- products and services
- price and value
- consumer understanding
- consumer support



# The Hurdles for FCA Consumer Duty

Following the rules is not the only aspect of compliance that companies need to worry about. It is also important for companies to have proof of their compliance. Kevan Thorn, Principal Consultant at IFA compliance specialist [IFA Consultancy](#) says,

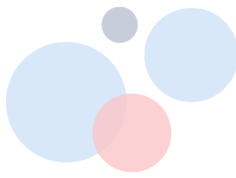
***“Many Independent Financial Advisers (IFAs) and other financial services firms are understandably wary of the reforms because of their scale and reach. However, in my experience, by and large, they are already doing what they need in terms of achieving the kind of good customer outcomes the FCA seek. What does need attention is how they collate evidence to demonstrate good practice if required by the regulator. They need to show, for example, that they can identify and effectively support vulnerable customers.”***

She points out many brokers still rely on the manual monitoring of randomly selected sample calls, which is both time-intensive and lacking in rigour.

Sharron Titterington, Head of Compliance & HR at specialist broker Principal Insurance [agrees](#),

***“The requirements and aims of Consumer Duty are not difficult for staff to understand, it’s the evidencing.”***

Compliance can be tricky for companies because many brokers and managers still tend to rely on manual compliance monitoring. This limits the scope of their analysis. They can stick to a sample size of a few random calls. Manual monitoring is also more susceptible to human error since it is a time-consuming and tedious task.



Another layer of complication in the situation comes from the fact that voice calls are not the only means of interaction between the company and the consumers. These rules and outcomes thus need to be followed and ensured across the different communication channels, from calls to chats to emails. Every consumer interaction must be “*equally effective, regardless of the channel used*”.

Although the FCA does not require companies to maintain a record of and capture every interaction, the Consumer Policy Manager at FCA, Richard Wilson notes that doing so will be the best way to confirm they are understandable.

Companies thus need a solution that facilitates compliance and also helps them maintain reports and records that can serve as evidence of their compliance. Here’s where Xdroid can come in with its roster of solutions. Xdroid’s omnichannel solution, [Interaction Analytics](#) in particular has proven to be extremely helpful to our clients in the BFSI industry in ensuring their agents remain compliant across their different communication channels.

Read through our case study to discover just how we did this.

## Case Study

Xdroid’s Interaction Analytics brings 100% of consumer interactions under the scanner. Clients can use the composer feature to set up specific call tags and generate a comprehensive report of calls that were successfully compliant and those that weren’t. They can easily identify the calls/ agents/ departments associated with the non-compliant calls and work on addressing the problem proactively. Companies can then set up KPIs that assist and help agents stay compliant throughout the call and alert their [managers](#) and supervisors immediately if they fail to do so.

In their recent [blog post](#) our partner, Avoira illustrated how Interaction Analytics is used by Principal Insurance to follow the FCA guidelines and stay compliant. The blog also featured on the official website of [Principal Insurance](#), delves deep into the challenges overcome by them to improve their compliance. Below we cite the same and are sharing highlights from the same.



For Principal Insurance in the UK, Xdroid's Interaction Analytics has been quite effective in the implementation of the new Consumer Duty. The solution also effectively caters to their other business needs.

Sharron Titterington, Head of Compliance & HR, Principal Insurance, [states](#),

***“Xdroid slots into Consumer Duty in so many ways. It can capture, transcribe, analyse and score every communication. It's highly accurate, self-learning and our staff are very engaged with it. ”***

[Avoira](#) CX Consultant Sam Goundry, adds

***“Xdroid's technology allows for quick identification of potential vulnerability and a variety of high-risk call types, such as the provision of incorrect information or advice, and customer dissatisfaction. Using real-time prompting, the technology can empower agents to influence conversations live, at the moment, whilst notifying a manager when appropriate.***

***This ensures customers receive the best possible experience and outcome. The detailed post-call reporting also highlights any trends and allows the senior leadership team to make informed decisions on opportunities for further improvement. ”***



# Identifying Customer Vulnerability

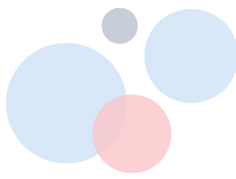
The advanced capabilities of the solution support all the key tenets of Consumer Duty, such as confirming consumer understanding. Titterington reports,

*“Xdroid can pick up on things like hesitations, ums and ahs, and flag to the agent that a customer may not understand what’s been explained.”*

Principal Insurance is also collaborating with Avoira to enable Xdroid to identify the “*characteristics of vulnerability*” cited under the Duty. This feature will identify 100 potential indicators of vulnerability among consumers like consumers with financial problems, caregiving responsibilities, learning disabilities, physical disabilities, long-term illness, mental health issues, gambling addictions, etc.

*“We are working with Avoira to incorporate tags within Xdroid which will raise flags with agents and their supervisors. This will enable us to better identify and support vulnerable customers and demonstrate our commitment to delivering the best outcomes. It’s a powerful technology which opens windows to things which we may not previously have been able to see.”*





## Hands-on Compliance Management

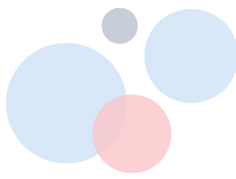
Xdroid offers many features and benefits that reinforce adherence to Consumer Duty. For instance, a variety of metrics and KPIs can highlight if and when an agent or a certain department requires more training and development.

“Through its agent and management dashboards, Xdroid offers a continual assessment of compliance and wider performance,” says Sharron “Agents like that feedback and it incentivises them to improve, to beat their score.”

This also works very well with FCA’s guidelines that require firms to monitor their communications with consumers, identify and address issues related to non-compliance and then retest for compliance.







# Making a difference in Real-Time

Xdroid's real-time solution AgentAssist helps companies avoid the need for any remedial action. Agents can be prompted to be compliant while they are still on call with the consumer. They will be given proper guidance and real-time recommendations to deliver 'good outcomes' to the consumers. This will further boost the contact center's first call resolution (FCR) which works in favour of compliance and the overall business.

Xdroid also makes a contact center future-proof in terms of resource management. With newer remote Work From Home/ Anywhere models and hybrid work models, contact center no longer needs managers to hover over the shoulder of their agents, the solution can do it for them.

Principal Insurance has adopted the hybrid model and has reported how the solution enables greater compliance. "We are more compliant working from home with Xdroid, than working in the office without it" says Sharron.

***“It's like having a team leader on your shoulder, able to provide support to agents when they need it. That includes alerting management to potential wellbeing concerns and identifying training needs that enhance service and promote learning.”***



# Conclusion

To sum up, Xdroid's solutions support compliance in the following ways:

1. Automated QA testing: To capture, transcribe, analyse and score all consumer interactions
2. Real-time capabilities: For instant analysis, real-time prompts and recommendations for agents to deliver optimal outcomes.
3. Omni-channel capabilities: To enhance and provide evidence of equal effectiveness of all voice, digital, and text customer interactions
4. Detect customer emotions: Track customer sentiment to score satisfaction.
5. Identify Customer Vulnerabilities: Enable identification of a broad range of customer vulnerabilities to protect them.
6. Notify Customer confusion: Identify and address the lack of consumer understanding.
7. Regular Management and Monitoring: Equip agents and managers to monitor compliance continuously.
8. Agent Training and Development: Identify training requirements





Insights, Actions, **RESULTS.**

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