



FCA Consumer Duty: Prepare now and comply with confidence

The tech, strategy, and
insights you need to navigate
the new regulations

In association with



A fundamental shift in consumer protection across financial services

The Financial Conduct Authority (FCA) has published its final rules and guidance for the upcoming Consumer Duty. As set out in the new overarching Consumer Principle, firms must now demonstrate how they actively deliver good outcomes for their customers.

The regulator expects organisations to monitor the outcomes their customers are experiencing, consider whether they are consistent with the Consumer Duty, and act when they identify issues or concerns.

Underpinning this all are three cross-cutting rules requiring firms to:

1. Act in good faith
2. Avoid causing foreseeable harm
3. Support retail customers in achieving their financial goals and objectives.

The new Consumer Duty comprises a package of measures, all tying back to four main outcomes representing the key elements of the firm-consumer relationship. These broadly cover how firms design, sell, and service products and solutions – as well as the key contact points along the customer journey.

The four outcomes are related to:

1. Communication to help consumers make informed decisions
2. Products and services specifically designed to meet the needs of consumers
3. Customer service that meets the needs of consumers and acts in their interest
4. The price of products and services represents fair value for consumers

With deadlines fast approaching, firms need to prioritise creating a plan and implementing a framework that demonstrates the active monitoring of outcomes. Don't delay – the time to act is now.

Firms are highly focused on the FCA milestones:



31st October 2022:

Consumer Duty implementation plans need board sign-off

30th April 2023:

Product manufacturers need to complete reviews of existing open products and deliver information to distributors for them to meet obligations under the four outcomes

31st July 2023:

Rules will apply to all existing products and services

31st July 2024:

Rules will apply for all closed-book products and services

The path to monitoring success

To confidently navigate the new Consumer Duty rules, firms must overcome two main challenges

01

Assessing data to enable ongoing monitoring and harm assessments

Firstly, firms need to identify and access the relevant data so they can begin to evidence good customer journeys and work to improve journeys that are failing to deliver positive outcomes for consumers – which is an essential part of compliance with the new regulations.

Data is fast becoming the lifeblood behind successful firms. But many don't have the systems or capabilities to interpret this data effectively. Often, siloed legacy systems present a significant challenge, as disparate systems nearly always result in disjointed and complex management information (MI).

With data coming in from all angles, and no easy way to access and analyse it, it's almost impossible to accurately monitor end-to-end customer journeys. Disconnected data systems fail to represent and connect genuine customer outcomes, so the root causes of inadequate services are hard to identify.

Additionally, firms need to ensure they're only sourcing data relevant to evidencing or monitoring outcomes.

To get visibility into how your processes run, firms need to connect their data source systems.

For firms addressing these disconnected systems, setting up a process to collate multiple data streams should be a top priority for compliance. This is essential for piecing together the different data points along the customer journey, so you can begin to understand customer outcomes in line with the new Consumer Duty's requirements.

But collecting the relevant data is not enough; you need to access and analyse it in aggregate, in context with the operational process directly affecting the customer.

To identify what data they need, firms will need to first:

- **Define** the customer outcomes they want to assess
- **Determine** what data is required to evidence these outcomes and assess harm
- **Perform** a gap assessment to understand the availability of current data vs the data required
- **Develop** a plan to obtain any additional data required to evidence outcomes

02

Monitoring customer outcomes

Secondly, firms need to set up a process of continuous monitoring. This is important, because only with ongoing monitoring and testing of outcomes can firms begin to predict and prevent foreseeable harm across the entire customer journey.

While most firms carry out some form of outcomes testing, usually, this is point-in-time or retrospective. As this only provides a brief snapshot along the customer journey, it may fail to represent the complete end-to-end journey that your customers are actually taking.

While it can be helpful, point-in-time testing doesn't always provide sufficient data to highlight the critical roadblocks, pain points, and issues across the customer journey and product lifecycle.

Likewise, with retrospective testing, you may not be able to identify potential systemic

issues in a timely manner. A large number of customers could be impacted before you're made aware and can take decisive action.

Your processes aren't static, so the way you test and monitor them shouldn't be either.

To stay compliant with the new Consumer Duty, firms need to better track the entire end-to-end customer journey – across disparate systems – to understand and assess customer outcomes and avoid foreseeable harm to retail customers.

In practice, this means customer-facing processes and outcomes must be prioritised, tested, monitored, and assessed to see if changes are required. Then to achieve compliance, firms need to migrate to real-time monitoring, as this provides the means to predict and prevent harm before it occurs.



Your processes aren't static, so the way you test and monitor them shouldn't be either.

Three phases to enhance your monitoring and harm assessments

Here's how Celonis' Execution Management System (EMS) can assist you along your compliance journey, from collecting data to performing predictive analysis in order to anticipate customer outcomes.

Celonis Execution Management System (EMS)

An Execution Management System integrates data and event streams across systems, desktops, and documents, X-Rays processes for inefficiencies, recommends improvements, executes on insights automatically, and orchestrates your systems.

In conjunction with our three-phase approach, the EMS allows organisations to establish and maintain a data-driven approach to compliance with the Consumer Duty regulatory requirements.

01

**Outcome data
Real-time Data**

Integrated data across systems, desktops, documents, and event streams

CUSTOMER

02

**Monitoring outcomes
Process Intelligence**

X-Rays processes for inefficiencies and recommends improvements

COLLEAGUE

03

**Predict, Prevent,
Recommend and Act
Targeted Action**

Executes on insights automatically and orchestrate your existing technologies

PRODUCT

01

Connect, collect, and consolidate data

The first step to becoming FCA compliant involves the provision and consolidation of business and process data. This means combining and integrating sources of customer, employee, and product data — from legacy and enterprise systems, data lakes, and robots — to provide a holistic view of the customer journey as it happens.

02

Evidence customer outcomes

With your data easily accessible in real-time, you can start actively evidencing your approach to comply with the FCA's regulations.

Process Mining

A crucial part of the FCA's new Consumer Duty is evidencing customer outcomes. This is where process mining technology is invaluable, as it visually reconstructs your processes to reveal how each activity is undertaken and the obstacles or inefficiencies that disrupt the firm in achieving the customer outcomes required.

With process mining capabilities, firms are provided with operational and steering views that:

- Capture interactions determining customer outcomes
- Look at processes holistically
- Identify gaps and potential root causes of adverse customer outcomes
- Begin evidencing the path to compliance

03

Monitor continuously in real-time and take action

The final phase in our 'Path to Compliance' is to monitor continuously and take action. At this stage, you've synced up all your data streams, visually reconstructed the process and revealed potential risks in achieving customer outcomes.

Now, your firm can move to a proactive mindset and begin implementing a digital twin of your operations that is designed to check violations, predict future outcomes and take preventative actions.

Digital twin

The digital twin will allow you to continually monitor your operations and customer interactions, and create conformance models that embed controls across your existing processes to track the customer journey from front to back.

Customer outcomes are then monitored on a continual basis by applying specific controls, whether they relate to quality, cost, or time. By embedding predictive analytics, you can determine actions that contributed to negative customer outcomes and prevent future occurrences.

Taking action

With process mining insights and the digital twin in place, you can take immediate action in real time, and in every step of the customer journey. By using automations (action flows) built upon pre-defined business rules and logic you are able to notify the right people, and take action directly from your source systems.

Crucially, this means you can quickly coordinate and execute an action if any of your customer-facing processes pose a risk to your compliance goals.

Celonis & PwC: A solution for ongoing monitoring

How Celonis and PwC can help firms move beyond the traditional, manual monitoring requirements that will feature in many implementation plans, to develop new solutions for automated monitoring and harm assessments

Identifying the current opportunity and state of operations

Performing an objective analysis of your customer-facing processes to identify customer journeys where there is a higher potential for harm and highlighting any that put you at risk of non-compliance.

Continuously tracking systems and correcting inefficiencies

Automatically observing processes as and when they are executed, so you can detect and surface inefficiencies and inaccuracies *before* they can cause compliance breaches or consumer harm.

A blueprint for implementation and harm reduction

Executing new process changes, managing technology implementation, and rolling out customer journey improvements so you can better serve your customers and reduce the risk of harm.

Ultimately, our joint approach will allow you to identify how customers will be better served, how products can be designed and adapted to fit customer's needs, and whether employees are suitably informed to make decisions that will positively affect customer outcomes.

With implementation plans having to be in place by the end of October, it's up to firms to act swiftly to demonstrate compliance with the FCA's Consumer Duty by the 2023 deadlines.

Get in touch with one of the team to learn more about our services, or [book a free demo](#) to get started today.