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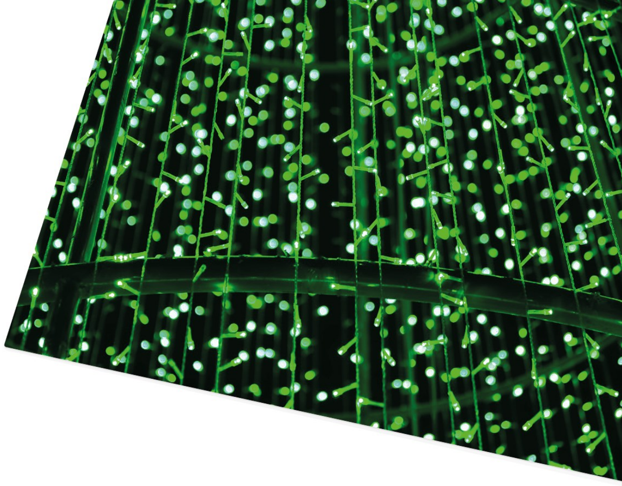

Consumer Duty

Outcome 2: Price and value

How should firms approach this outcome?

Assess: Firms will need to carry out a fair value assessment for all products and services offered to retail customers. Fair value is represented if the amount paid for the product or service is reasonable relative to the overall benefits of a product or service.

Change: The prices of products/services may need to be reviewed in light of the above assessment of fair value.

Adapt: Products and services that do not meet the needs of the target market are unlikely to offer fair value and may need to be updated or withdrawn.

Review: You will need to perform ongoing value assessments throughout the lifecycle of a product or service.

Monitor: You will need to collect and analyse appropriate MI to monitor that the fair value assessments remain valid over a foreseeable period.

What do the rules mean in practice when assessing price and value?

Act in good faith: Ensure that an assessment/gap analysis has been carried out on all existing products and services to ensure that the price paid is reasonable compared to the benefits.

Avoid causing foreseeable harm: Do the products and services provide fair value to the consumers in the target market? Can evidence of value assessments and the characteristics used to carry out the value assessment be produced?

Enable and support retail customers to pursue their financial objectives: Poorly designed products are more likely to result in unfair value for the customer.

What you should be thinking about when planning your implementation plan

Value assessment process: Firms have discretion to decide on the factors that they use in their value assessments, but key aspects must be considered – including the overall benefits to the customer, including non-financial benefits such as enhanced customer support.

Review of prices charged to customers: Is there sufficient rationale where different groups of customers are charged more/less for the same/similar products? This type of pricing is not prohibited, but can firms justify fair value to customers in each case? Firms are also expected to demonstrate that the overall costs consumers are likely to pay, including potential default fees, are reasonable relative to the benefits.

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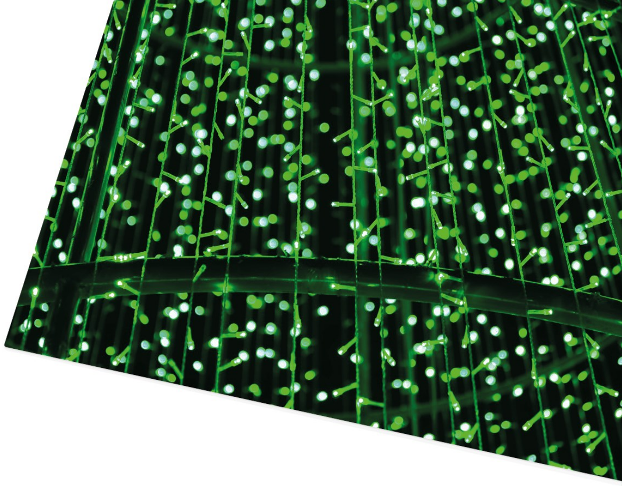

Consumer Duty

Outcome 2: Price and value

What you should be thinking about when planning your implementation plan (cont.)

Distribution chain considerations: Distributors must obtain relevant information from manufacturers to understand the value a product or service is intended to provide, and to enable them to understand whether their distribution arrangements would result in the product or service ceasing to provide fair value to retail customers.

Collection of monitoring data: Firms will need to demonstrate that they have collected and analysed appropriate data on all products and services in order to demonstrate fair value on an ongoing basis. Firms will need to carefully consider the type of data used to continually monitor fair value – customer feedback on its own is unlikely to be sufficient.

This is part of a series of guides designed to help your organisation better understand the requirements of the FCA's new Consumer Duty.

Hogan Lovells can help you at every stage of your Consumer Duty journey. We can implement the full toolkit and manage your project through to completion, or we can get involved in specific elements of your workstreams. Please contact one of the team members below to find out how we can advise you.

The Consumer Duty hub on the Hogan Lovells Engage Premium website brings together recent developments, insights, webinars and videos from our team on a range on Consumer Duty-related topics.
Visit **https://engagepremium.hoganlovells.com/resources/consumer-duty** to find out more.

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