

# Consumer Duty Annual Board Report: What the FCA expects

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Board oversight of Consumer Duty is critical – the FCA expects firms to produce an Annual Report to reflect their progress and demonstrate engagement at a senior leadership level. Tim Reid explains the importance of this report and how firms can meet best practice.

With the Annual Report deadline fast approaching on 31 July 2024, firms should be well under way with the annual assessment that underpins the analysis.

The FCA [highlights](#) that “firms need to make sure they are learning and improving continuously and must be able to evidence this in their annual Board report.” Therefore, it's crucial to understand how to approach, design, and execute the annual assessment to ensure it's effective and aligns with regulatory expectations.

Understanding the role of the Board in producing the Annual Report is key. Culture starts at the top, so it's important for senior management to build on the principles of accountability and ensure that good outcomes for customers are the priority.

## FCA expectations

The FCA intends the Annual Report to demonstrate firms' ability to provide good customer outcomes. The Annual Report acts as a framework to highlight how firms are meeting the Consumer Duty requirements and identifying poor outcomes effectively.

Firms must develop a culture of accountability and ensure there's a clear understanding of the Duty stemming from the Board level to ensure they're meeting FCA expectations.

Therefore, the right people must be in place to achieve this. Firms must have a Board Champion to take the lead on the report and bridge the gap between Consumer Duty requirements and the senior leadership team. This individual will take responsibility to provide a detailed and reflective report of how the firm operates in line with the Duty.

It's crucial to have somebody in place who can provide a robust and objective assessment of the firm and highlight future enhancements to showcase to regulators. In turn, they can confirm that the Board is fully aligned with the report and taking the necessary steps to meet best practice.

## Best approach

Assigning roles and responsibilities is essential to taking a proactive approach to the Annual Report. Firms must decide who will prepare, populate and review the report, with the first line leading to help shape it to the Board's needs.

Developing a project plan can identify a path to account for discrepancies between tasks and milestones. In turn, firms can take accountability for scheduling of the Board and review all materials in good time to meet the deadline.

Once a capable team is put together, focus must turn to identify data requirements.

Firms must measure customer outcomes using qualitative and quantitative metrics. This will help to identify key data feeds and a breakdown to present this data in a digestible way. The Board should have strong oversight of this information and present it in a clear template before it's approached.

This process will differ depending on the individual challenges and frameworks of each firm, so it's important to assess which approach would work best to deliver the report, taking into account the nature of the business and impact on customers before producing a final report for the FCA. There's no one-size-fits-all framework.

## Scope of the report

The report should also cover all aspects of the Duty so all customer concerns are taken into account. It's important to take a holistic approach to understand the overarching principles of Consumer Duty and show an extensive understanding of how to meet best practice.

Firms must consider the FCA's four outcomes and reflect this in their report:

- Whether customers are being sold products that meet their needs
- Whether the products being purchased provide fair value
- Whether customers are being equipped with the right information to make informed decisions
- Whether customers are receiving the support they need

To demonstrate a clear understanding of these outcomes, firms must consider how to correctly present their report using the template. The Board Champion will play a key role in ensuring that these outcomes are clearly demonstrated and reviewed by the Board. In turn, firms can more clearly outline their objectives and data for the FCA using these guidelines.

A strong report must be built with full engagement from senior management. With this input, firms can ensure their report is specific, achievable, strategic, and demonstrates strong governance.

In the long-term, this will also help firms understand how they're progressing with the Consumer Duty and where improvements can still be made. The Annual Report plays a key role in enhancing customer trust, driving responsible business practices and meeting regulatory expectations, so taking action now is essential.

It's important to take a proactive approach to the Consumer Duty Annual Report and ensure that there's engagement at all levels to accurately reflect the objectives and goals of the firm.

**To learn more about the Consumer Duty's requirements, contact [Tim Reid](#).**