payments and crypto network

Consumer Duty

A series of guides addressing the subject of Consumer Duty for UK authorised Electronic Money Institutions ("EMI") and Payment Institutions ("PI").

Guidance is provided for firms and is not intended as legal advice.

Guide 1: Introduction to the FCA's Consumer Duty regime

This guide provides an introductory overview of the key components of the Consumer Duty in the context of Electronic Money Institutions ("EMI") and Payment Institution ("PI") firms.

1 What is the Consumer Duty?

The Financial Conduct Authority ("FCA") introduced the Consumer Duty regime in July 2023 as a landmark framework aimed at raising standards of consumer protection across financial services, including payment service providers.

The Consumer Duty ("the Duty") sets higher and clearer standards of consumer protection, requiring firms to act in good faith and avoid causing foreseeable harm. Firms are required to prioritize consumer needs throughout the entire customer journey, ensuring that products and services deliver good 'outcomes' for retail customers and that firms act to prevent foreseeable harm.

The Duty is a framework that requires cultural and operational changes within firms in order to embed customer-centric thinking across all areas of the business. It is not just a compliance exercise.

2 Who does the Duty apply to?

The Duty applies to all firms regulated by the FCA that have a material influence over retail customer outcomes, including:

- Banks
- Insurers
- Investment firms
- Mortgage and credit providers
- Payment Service Providers, and
- Financial advisers.

This includes firms operating in the retail market either directly or via a distribution chain.

3 Core Components of the Duty

The Duty comprises three key elements:

3.1 Consumer Principle (Principle 12)

PRIN 12 from the FCA's Handbook states: *"A firm must act to deliver good outcomes for retail customers"*. This shifts the regulatory expectation from treating customers fairly (Principle 6) to actively delivering positive outcomes.

3.2 Cross-Cutting Rules

The cross-cutting rules outline the key behaviours that firms must demonstrate:

- Act in good faith toward retail customers
- Avoid causing foreseeable harm to retail customers; and
- Enable and support retail customers to pursue their financial objectives.

3.3 Four Outcomes

The Duty, and its shift from simply 'treating customers fairly', requires firms to actively ensure the defined positive outcomes, requiring firms to focus on customer needs throughout the entire product lifecycle (i.e. from design and marketing through to ongoing support). The four key outcomes that underpin the Consumer Duty regime are:

- **Products and Services** – The FCA want consumers to be sold products and services that are designed to meet their needs, characteristics and objectives. These will need to be considered in the context of identified customer groups and delivered accordingly.
- **Price and Value** – The FCA want consumers to receive products and services which offer fair value. Firms must therefore ensure there is a reasonable relationship between the price paid and the benefits received, avoiding excessive charges or poor value.
- **Consumer Understanding** – The FCA want consumers to understand the information they are given and make timely and informed decisions. Firms must therefore present clear, timely, and tailored information to the target audience in a way that supports informed decision-making.
- **Consumer Support** – The FCA want consumers to be provided with support that meets their needs. Support will therefore need to enable consumers to act in their own best interests without facing unreasonable barriers.

4 Application of the Consumer Duty to payments firms

The Consumer Duty applies to EMI / PI firms and is a key focus area for the FCA, as highlighted in recent Dear CEO Letters (e.g. as published on 3 February 2025). The Duty has a number of specific implications for EMI / PI firms, not least potential cultural changes within the business. Some examples of issues to consider in relation to each of the four outcomes are described below:

1. **Products and Services:**
    - Ensure payment products (e.g., e-wallets, prepaid cards) are designed to meet customer needs. The product design process will need to consider customer requirements, for the identified customer segments, not just commercial drivers.
    - Review Terms of Use for clarity and fairness. Customer terms could be supplemented with published Q&A and the ability to easily raise queries through 'chat' functionality.
    - Conduct regular service / product reviews to assess whether they are delivering the intended outcomes. Quantitative and qualitative measures will need to be designed to facilitate measuring whether the outcomes are being achieved. Services / products that do not meet the requirements of the Duty will need to be developed or removed.
2. **Price and Value:**
    - Assess fees, charges, and exchange rates to ensure they are proportionate and justified given the service / product provided. Benchmarking against competitor services, industry segment averages could be used in conjunction with customer feedback and other qualitative measures.
    - Hidden fees and complex pricing structures that could disadvantage customers should be avoided. Regular reviews of the charging structure and published information should be conducted, considering customer feedback and complaints received.
3. **Consumer Understanding:**
    - Firms should endeavour to provide information on areas such as its products and services, fees and charges, transaction limits, and complaint procedures using clear and plain language. Q&A could be developed to support customer understanding. Firms should regularly review the information provided and conduct customer understanding surveys. Issues raised with customer services and disputes received should be reviewed to identify areas for improvement.
    - Ensure that communications are tailored to the different customer segments that have been identified by the firm, considering vulnerabilities and language barriers and any variations in services, functionality, and fees.
4. **Consumer Support:**
    - Firms must ensure that robust customer service processes have been implemented, which include easily accessible complaint channels (considering the different customer segments and vulnerable customers). Firms should monitor the usage of the various channels (email, chat, telephone) to ensure that they are easily accessible / operable and could conduct customer surveys and 'mystery shopper' testing activities.
    - Customer service staff should be trained to identify and support vulnerable customers and be able to easily escalate issues internally in order to provide such customers with any specialist support that they require.
    - Monitoring activities should help identify emerging risks (e.g. new frauds or customer financial hardship) to ensure that customer service activities / processes can respond accordingly.

5 Implementation of the Duty and ongoing actions

Firms should ensure that they continue to review their current product offerings, pricing structures, and communication materials to ensure that the four outcomes are being delivered.

Monitoring and testing frameworks should be built into the compliance monitoring activities (e.g. as coordinated by the firm's Compliance Monitoring Programme) to ensure the ongoing monitoring of the delivery of the customer outcomes. Issues that are identified through the ongoing monitoring activities should be reported to the Board and resolved without delay.

Firms should also operate a continuous improvement cycle to address emerging risks and evolving customer needs within the design and delivery of their services.

The compliance function must play a central role in ensuring that the principles of the Duty are implemented throughout the business. Management should view the prioritisation of the customer outcomes as a cornerstone of building strong and trusted customer relationships (which translates to a lasting and profitable business) as well as a regulatory obligation.