



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 2: FCA multi-firm review (Background and Findings)

This guide describes the background to the FCA’s multi-firm review conducted on their ‘payments portfolio’ and provides a summary of the FCA’s findings. A third guide provides details of the FCA’s suggested ‘good practices’ and the next steps that should be taken by payments firms.

Whilst the multi-firm review took place in 2024, and builds on a 2023 Dear CEO Letter, the FCA have unsurprisingly included Consumer Duty as a priority in their Dear CEO Letter dated 3 February 2025. Further review work to be conducted by the FCA should therefore be expected.

1 Background

In October 2024, the FCA published the key findings arising from a multi-firm review of the implementation of the Consumer Duty (“the Duty”) within payments firms. The FCA looked at how payments firms implemented the Duty, including how they considered the requirements of the Duty, identified any gaps and addressed them. The FCA’s objective was to understand the information that firms had used to inform their gap analyses, and the actions that they had taken to deliver good outcomes for their customers.

The review also considered how far firms had considered the specific payments sector risks that were set out in the FCA’s Dear CEO¹ Letter from February 2023 and how they had acted to deliver good consumer outcomes.

From the 23 payment firms that the FCA reviewed, just over half were rated as satisfactory and not presenting a risk of significant poor consumer outcomes. However, just under half of the firms in the review had only partially implemented the Duty and still required significant work to comply with it. The FCA believed that the results, if representative of the payment

¹ [Dear CEO letter on implementing the Duty in Payments firms of 21 February 2023](#)



sector as a whole, indicated that a substantial minority of firms may not be compliant with the Duty.

2 The FCA's findings

2.1 Approach to implementation

The best firms considered that implementation of the Duty, and resultant improved customer outcomes, aligned with their own long-term interests. These firms tended to have:

- **Clearly defined target markets** that were documented using sufficient detail, e.g. characteristics, risk profile, complexity and nature of the services provided, that were used to support the identification of risks associated with delivering poor consumer outcomes or causing consumer harm.
- A **systematic implementation approach**, building on the clearly defined target markets, to establish what 'good outcomes' look like (given the particular services), and approaches to pricing, service value, promoting consumer understanding and providing consumer support; and
- Strong **governance and control frameworks** which they used to scrutinise and challenge the firm's implementation of the Duty and deliver any required enhancements. Governance and control frameworks comprised:
 - Clearly allocated responsibilities for compliance with the Duty
 - Board oversight
 - Provision of appropriate management information (including metrics that directly monitor / evidence the delivery of good consumer outcomes aligned to each of the 4 outcomes); and
 - Timely action to address identified issues.

The firms with an unsatisfactory implementation of the Duty tended to not recognise the higher standards that the Duty requires and, instead, often relied on pre-existing processes and controls. In support of the lack of changes to implement the higher standards required by the Duty, these firms suggested that their services did not present the same risks to their customers as other FCA-regulated products (e.g. investment or pension products) and therefore believed that changes were not required.

2.2 Products and services

2.2.1 Establishing the target market

The FCA noted that target markets were generally set relatively widely rather than at a sufficiently detailed level, taking account of the characteristics, risk profile, complexity and nature of the product. The FCA state that there are circumstances where the use of wide target markets could be appropriate, such as with low-risk products that are designed to meet the needs of a broad range of consumers. However, an inappropriately wide target market will have limited use and likely cause difficulty identifying the true risk of the services delivering poor consumer outcomes and the ability of firms to identify potential harm.

2.2.2 Agent and Distributor oversight



Payments firms are responsible for the actions of their Agents and/or Distributors including in relation to the Duty. The FCA's review raised concerns regarding the extent that firms had adapted their Agent / Distributor monitoring processes to ensure compliance with the Duty, for example, where initial Agent / Distributor onboarding and training was performed there appeared to be a lack of subsequent ongoing monitoring to ensure continued compliance.

2.3 Fair value assessments

A key element of the Duty is the requirement to ensure that services provide fair value to retail customers. As such, firms must undertake fair value assessments to ensure that the price a consumer pays for the service is reasonable compared to the overall benefits they can expect to receive. The FCA noted that many fair value assessments fell short of their expectations; some firms argued that as challengers to established payment providers they had to offer a competitive price and therefore provided fair value. In assessing fair value, the FCA expects firms to consider at least the nature of the product, including the benefits that will be provided, any limitations that are part of the service and the expected total price customers will pay (including all applicable fees).

2.4 Consumer understanding

The Duty requires firms to support the understanding of retail customers to make informed decisions about financial services. The FCA observed examples of good communications specifically tailored to their retail customers, the complexity of the services and the communication channel used however there appeared to be limited monitoring of consumer understanding after communications were made. The FCA expects firms to have an effective way of testing communications, including regularly assessing whether communications support effective customer decision-making, in order to identify and deal with any shortfalls.

2.5 Consumer support

The FCA expects firms to provide support that meets the needs of their customers, helping them to act in their own interests and realise the benefits of the services being offered. Some issues identified by the FCA included:

- Unclear 'signposting' of customer support services
- Complaint volumes that indicated shortfalls in delivering the required support; and
- Lack of communications from firms when customer accounts had been frozen.

2.6 Governance

The requirements of the Duty should be reflected in the governance arrangements and the Board should be able to demonstrate that it considers Consumer Duty matters in an appropriate manner.

The FCA observed that most firms provided management information to the Board in the form of documented 'Board packs', however, there appeared to be little challenge to Duty implementation (as recorded in minutes of Board meetings).

2.7 Management information



In order to know if they are meeting the Duty's requirements, firms must assess, test, understand and evidence customer outcomes. The provision of appropriate management information ("MI") is key and the FCA expect firms to have a comprehensive suite of MI that is relevant to their business.

Firms which could clearly identify if they were delivering good consumer outcomes and potential shortfalls that could be proactively addressed had metrics that directly evidenced Duty outcomes. These data sources were clearly aligned to each of the Duty outcomes, had triggers which would instigate investigations as well as clear allocation of ownership.

Creating a robust and sustainable MI suite appeared to be the biggest challenge for many firms. Some firms had identified suitable metrics that were directly relevant to the Duty outcomes, and which could be collected consistently over time. Other firms appeared to use too many metrics to track on an ongoing basis or collected relevant data but failed to have a clear use for it.

