

Fair's Fair

Treating Customers Fairly

Firms are responsible for making sure customers are treated fairly. Regulated firms have an obligation to adhere to the Financial Conduct Authority's ("FCA") Handbook and the Principles for Businesses. The Principles include explicit and implicit guidance on the fair treatment of customers.

Principle 6 states: 'A firm must pay due regard to the interests of its customers and treat them fairly'. It includes 6 Treating Customers Fairly outcomes ("TCF").



- Consumers can be confident they are dealing with firms where the fair treatment of customers is central to the corporate culture.
- Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.
- Consumers are provided with clear information and are kept appropriately informed before, during, and after the point of sale.
- Where consumers receive advice, the advice is suitable and takes account of their circumstances.
- Consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect.
- Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

Corporate Culture

The FCA no longer carries out TCF-specific visits. However, this does not mean they no longer think it is crucial. It does mean, that by now, they expect the principles of TCF to be embedded in all firms and to be the bedrock of their business models.

Improving culture in financial services is also a continuing priority for the FCA. They define culture as "the habitual behaviours and mindsets that characterise an organisation". The FCA does not attempt to assess mindsets and behaviours directly; instead, they recognise that firms can identify and manage many drivers of behaviour.

The FCA focuses on 4 key drivers which they believe can lead to harm:

- **Purpose**
- **Leadership**
- **Approach to rewarding and managing people**
- **Governance**

Purpose

The company purpose aims to address the reasons why a business does what it does. Many



companies publish their mission, vision, and values on their internal network and external website. The mission statement is used to attract new hires to the company who share the same values. However, sometimes the mission statement is not a true reflection of what is going on inside a company and its culture.

Much of what is required by the FCA in TCF is already contained in existing legislation. Nevertheless, TCF is not just about rules; it is about an ethical way of doing business sustainably and about having a mindset which places the customer at the centre of all business activities and decisions. It is about making measurable progress in achieving the six TCF outcomes. Regarding this, the FCA is expected to lay down its own TCF roadmap in July.

Culture and Purpose must align

Some people confuse the ideas of purpose and culture. Purpose is about the direction your company wants to go, while culture serves as a roadmap. The FCA states, “Treating customers fairly (TCF) is a cultural issue. It is only through establishing the right culture that senior management can convert their good intentions into actual fair outcomes for consumers.”

The Role of HR

HR plays a fundamental role in emphasising company culture both internally and externally. A firm can influence the delivery of fair customer outcomes by recruiting staff with appropriate values and skills, training staff effectively, and assessing and monitoring their competence.

Businesses should have a clear strategy to ensure that all staff have a simple and straightforward definition of how customers should be treated. Training should be provided and TCF should form part of staff’s individual objectives and be monitored and measured.

A robust performance management framework with clear and appropriate objectives which are linked to TCF outcomes and regularly reviewed and acted on, will support the fair treatment of customers.

Firms should consider including TCF in their recruitment procedures and policies. They could, potentially, include it as competency or value required for the role. Firms could also consider candidates from outside of the industry and dedicate time and resource to train candidates who have the requisite TCF behaviours.

If you require assistance to make your current policies and procedures TCF compliant, IHR is here to help. Please contact our team HRhelp@ihrsolutions.co.uk or go to <https://insurancehrsolutions.co.uk/>