

Ensuring Fair Customer Outcomes from Canary Wharf to Delhi

By: Gary Duncan

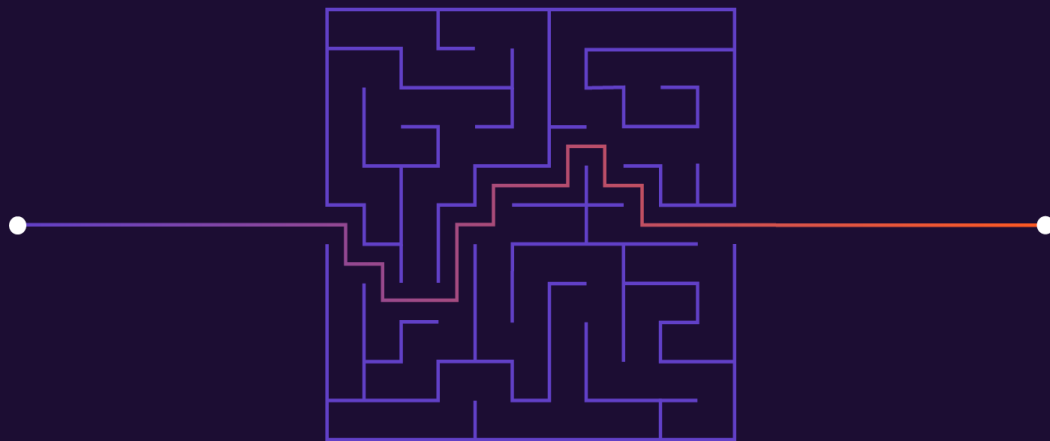
Director of GLD Contractors Ltd

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The logo for trailight, featuring the word "trailight" in a lowercase, sans-serif font. The "tr" is in a light blue color, and the "ailight" is in a darker blue color.

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‘Our focus on culture and governance in financial services and its impact on individuals and firms conduct is a priority. We will continue to promote the right cultures, behaviours and effective governance across the industry to deliver appropriate outcomes for consumers, markets and competition consistent with our objectives’.

A pretty clear indicator from the FCA in their 2017 / 2018 Business Plan that this remains a priority for them and therefore should continue to be for the industry. Ask yourself the question though, ‘how easy is it really to ensure firms culture and governance delivers appropriate outcomes for consumers and markets?’ Well we know that the key aims of the Senior Manager and Certification Regime (SM&CR) are to strengthen individual accountability at the most senior level of organisations and to improve the standard of conduct at all levels. Firms will have defined their strategies for the SM&CR however it is what they are doing in parallel with this to ensure the key messages are filtering down throughout the organisation that interests me. Having worked in the Conduct arena over the past 7 years within the financial services industry, I have been asked these questions many times, “What is Conduct risk Gary?”, “Why is it so important?” and “What does it mean for me in my everyday role?” 3 very simple but very powerful questions none the less which I have answered and in turn used successfully over the years to educate people across all levels of businesses in order to help them fully understand the role they have to play. Sharing this simple but effective information with people not only makes their working life’s easier but safer too in the knowledge that by understanding conduct risk better, they are more likely to be doing the right thing day in day out for their customers, their business and indeed themselves. So to the questions in hand...

What is Conduct Risk?

The words may differ slightly across organisations but generally it will be defined as ‘the risk that behaviours and actions of individuals and /or a firm lead to poor customer outcomes and / or adversely impacts the integrity of the financial markets’. The Conduct risk agenda is far broader than previous initiatives such as Treating Customers Fairly (TCF) and therefore touches on all aspects of business and market conduct in ways in which the firm: conducts its business with integrity, due skill, care and diligence; observes proper standards of market conduct; and pays due regard to customers interests to ensure fair outcomes.

Why is it so important?

The Financial Services Industry has seen catastrophic failings (from mis-selling to rate manipulation on a global scale) which not only adversely impacted customers but resulted in the very integrity of the whole financial system being questioned, and the relationship of trust with the customer being potentially irrecoverably damaged. Whether or not firms have been affected by the issues of the past, they all now have a clear responsibility to build the trust of their customers by doing the right thing, when they say they'll do it, to ensure they deliver fair customer outcomes. The days of chasing short term business objectives over those that are right for the customer should be consigned to history for ever.

What does it mean for me in my everyday role?

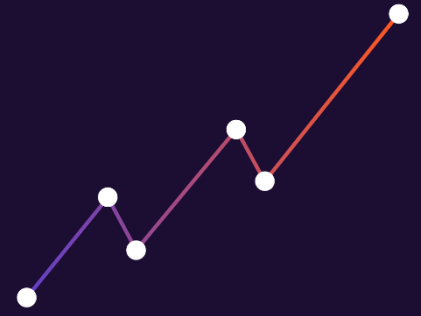
When using this to educate people I always try and tailor it to their specific teams and / or individual roles if varied. As I've said in the previous question, in its simplest form, it's about doing the right thing, when you say you'll do it, to ensure the delivery of fair customer outcomes. Whether you're a member of the Board setting the tone from the top, leading by example through living the values and demonstrating your commitment at every opportunity, a member of staff with specialist knowledge of the FCA's conduct agenda who can provide education to others, or indeed that person at the 'coal face' who deals with customers day in day out, everyone has a role to play.

Looking back at the FCA Business Plan statement that I started with, there is one more fundamental piece of the jigsaw required to complete the picture. Once you have educated the people, the key to ongoing competence of the firm and its individuals within is to have a robust governance framework which supports the effective management of Conduct risk. This will consist of many aspects including, policies articulating clear expectations across the business, clearly defined risk appetite statements against which performance will be monitored on a regular basis, and a suite of Management Information which enables Executive Management, the Board and relevant committees to monitor how effectively Conduct risk is being managed and supports effective decision making for the customer.

To stress the importance of what we do for customers and how we do it, I will leave you with a quote from Mahatma Gandhi who once said 'A customer is the most important visitor on our premises, they are not dependent on us. We are dependent on them. They are not an interruption in our work. They are the purpose of it. They are not an outsider in our business. They are part of it. We are not doing them a favour by serving them. They are doing us a favour by giving us an opportunity to do so.'

Wise words indeed and never a truer word said, so let's treat them that way from now on.

About the Author



Gary Duncan is a Director of GLD Contractors Ltd who provide Conduct and Compliance consultancy services to the Financial services industry. Gary has 29 years of experience working in the Retail Banking sector. He has worked in a variety of roles including Change Management, Training and Competence and over the past 7 years the Conduct and Compliance arena.



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