

# **Consumer Duty Outcomes Guidance Policy**

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## 1 BACKGROUND

Quorum Fleet Solutions take Consumer Duty as defined by the Financial Conduct Authority as a core aspect of our business. The PRIN Handbook states the following Principle:

“12 Consumer Duty - A firm must act to deliver good outcomes for retail customers”

The new rules come into force on 31<sup>st</sup> July 2023. In the intervening period Quorum assembled an implementation plan by 31<sup>st</sup> October 2022. This plan set out how the firm will proceed to review its existing operations, identify areas requiring change (gaps) and then ensure that all required changes are implemented in advance of the new rules coming into force.

At the heart of the Principle is 3 cross cutting rules with 4 associated outcomes. The rules are:

1. Act in good faith towards retail customers
2. Avoid causing foreseeable harm to retail customers
3. Enable & support retail customers to pursue their financial objectives

The associated outcomes are:

Outcome 1 – Products and Services Outcome

Outcome 2 - Price and Value Outcomes

Outcome 3 – Consumer Understanding Outcome

Outcome 4 - Consumer Support Outcome

Whilst the Consumer Duty introduction has necessitated this document, it has also reflected in current policies, guidance, reporting, culture / behavioural aspects and management meeting focus and agenda.

The following document provides the firms response and details the practices in place to ensure the outcomes are delivered.

## 2 OUTCOME 1 - PRODUCT AND SERVICE OUTCOMES

This outcome is particularly relevant to firms that are creating new financial services products aimed at consumers, less relevant for distributors. However, we have reviewed processes and practices to consider this outcome to make sure that the products we broker are suitable for the clients offered to and that our processes ensure that good outcomes are delivered to customers, for example we don't recommend a product to a customer that is either not suitable or unaffordable. The following four areas have been addressed

- A thorough review our current processes and policies and updated accordingly. The firm is confident that good outcomes are being delivered to customers. Mark Batey (Managing Director) and John Deacon (Operations Director) are responsible for this review, implementation and regular monitoring.
- Identification of specific customer needs, such as vulnerability to ensure we are adequately identifying customers with vulnerabilities (see Vulnerable Customers Policy).
- Ensure the products we broker are designed and offered to an appropriate client group – we are able to explain the profile of our target customers – socio economic profile etc
- We have evaluated our offering is meeting the needs of customers, by reviewing product performance data, obtaining client feedback and reviewing complaints.

The FCA expects firms to proactively improve outcomes; we have established that our outcomes are presently robust. However, our management meetings, monitoring and reviewing always consider how we can improve operations further so as to deliver better outcomes. This includes reviewing the rigour of our fact find and suitability assessment process to ensure that our products are only offered to clients are clearly affordable/suitable.

### 2.1 PROCESS REVIEW

Our reviews have included the following areas of our business:

#### 2.1.1 INITIAL CLIENT CONTACT

- Customers advised of the right to withdraw

- Customer informed of the complaint's procedure
- Review of initial disclose information to ensure better customer understanding
- Review of commission disclosure to ensure it is clear and understandable for customers
- An increase in customer understanding of contractual obligations
- Clarity of any potential detrimental consequences understood
- How we assess suitability to compliment customer requirements and needs
- Review of how other products / services have been explored with the customer

### **2.1.2 DEALING WITH VULNERABLE CUSTOMERS**

- We have clear policies in place for managing and assisting clients with debt issues, such as directing clients in financial difficulty to free sources of debt advice (see Vulnerable Customer Policy)

### **2.1.3 ENTERING INTO THE CONTRACT**

- Ensure the contract is explained and understood by the customer
- Ensure the client consider the contract meets identified needs
- Ensure the cost of the product is clearly and adequately explained. This includes total amount repayable, interest and other charges, monthly payments and optional fees.
- In the case of a finance product, the customer is clear as to how the loan is to be repaid. If in doubt we test the comprehension by asking relevant questions

Compliance Monitoring data is kept of customer feedback – positive and negative – and the Complaints Log should is regularly reviewed, recorded and signed off by the board on an annual basis.

### **3 OUTCOME 2 - PRICE AND VALUE OUTCOMES**

This is the Fair Value Assessment – We have reviewed whether the pricing we broker is reasonable, fair and in line with current market conditions. As a result of this review, and ongoing monitoring, we ensure customers can enter into financial commitments safely in the knowledge that fair value has been considered and to ensure the customer receives value for money.

The FCA define value as the relationship between the overall price of the product to the customer and the quality of the product(s) and/or services provided.

To ensure fairness is a fundamental part of our business practices and culture we ensure that anything to be considered “self interest” i.e. profiteering. We determine the right to make a return on investment which compensates for the costs incurred in providing a service and the risks taken, profit by exploitation though is not acceptable.

We regularly review charges to assess fair value as part of our compliance monitoring. The firm is confident that all charges and costs are fair to the customer and review this over time, changing as necessary.

We also ensure commissions obtained reflect overall benefit consumers can reasonably expect – customers need to feel that the commission rate represents fair value for the level and quality of service we provide.

#### **3.1.1 REASONABLE CHARGES**

Several measures exist to ensure the firm reflects positive outcomes on price and value. Some of these measures include:

- Regularly reviewing of the market and consider how our offering sits relative to other competing providers and consider all options that should reasonably be available to a client
- Reviewing profitability data – revenue and profit margins to ensure the business is achieving a fair return on investment
- Regular engagement with clients to assess price satisfaction and whether they feel the service offers fair value for money for them

## **4 OUTCOME 3 - CUSTOMER UNDERSTANDING OUTCOME**

The FCA require firms to help customers make informed decisions, and, to achieve this, communications are clear, engaging and relevant, whether verbal, written, on an advertisement, or on a website, and are easily understood by customers.

We believe that simply providing a customer with information is not enough, we confirm that our customers understand information that is being given to them, we ask questions of the customer when providing information to confirm that it is understood. We also canvass customers in general to seek their opinion on the adequacy of information that we have provided and how easy it is for them to understand. We identify any comprehension issues and seek to address by improving and enhancing communications such that easily understood by all customers, including those with vulnerabilities. we need to be certain that the clients we engage with fully understand the nature of the contract. If they don't then we shouldn't offer the service.

### **4.1.1 COST**

Consider whether customers fully understand the total cost and, as applicable, the repayment required and what might happen if they don't repay

### **4.1.2 COMPLEXITY**

Consider whether any financial promotions (adverts) clearly explain the costs, e.g. where required detailing an APR and ensuring the representative example is provided

Consider whether any information provided might be misleading in any way

Ensure customers are asked if they understand the information provided

Ensure comprehension tested through appropriate questions and to be aware of any indication signs of confusion?

### **4.1.3 COMMUNICATIONS**

We ensure customer communications are clear and easily understandable and appropriate for a particular client taking account of any particular needs / vulnerabilities

## 5 OUTCOME 4 - CONSUMER SUPPORT OUTCOME

Per the FCA, there is a close relationship between the Consumer Understanding outcome and the Consumer Support Outcome. Under the Consumer Support Outcome the FCA advise that firms should enable customers to act on their decisions without facing unreasonable barriers.

To ensure all customers are supported through their journey of obtaining a suitable and affordable product the firm:

- Provides an appropriate standard of support to customers which meets their needs.
- Delivers support that meets the needs of customers, including those who are vulnerable and ensure that vulnerable clients are not disadvantaged.
- Ensures that customers are given sufficient opportunity to understand and assess their options, including any risks
- Regularly monitors the standard of support and make improvements where necessary.

Furthermore, the firm ensures adequate support includes:

- Responsive service, taking a reasonable length of time to respond to customer questions and requests
- Answering phone calls or emails from clients
- Recognising/identifying vulnerable customers and provide the required level of support
- As applicable, website functioning properly, or key information not prominently displayed and updated.
- Signpost clients to our complaint's procedure
- Signpost clients in financial difficulty to free sources of independent debt advice

An example of compliance with this Outcome would be in the case of a declined credit application on affordability grounds. Good support would be then signposting the client to a source of free independent debt advice.

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For a vulnerable client, good compliance here would involve information being provided to the client in the form that is easiest for the client to understand, this may be verbal or in writing – whichever mode is the most appropriate for that client.

Also ensuring that client queries are responded to promptly, adding staff if necessary to ensure that client enquiries are responded to promptly

We regularly monitor standards of service and ensure staff are fully trained. We also review any complaints or negative feedback to establish any root causes as part of our complaints policy process.