WEBINAR | AFEP MEMBERS

Consumer Duty Board Reports in the age of #AI

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WEBINAR | AFEP MEMBERS

Year 2 lessons and Year 3 readiness…

Facilitated by Simon Tweddle

A 35-minute discussion drawing on the FCA's Year 1 and Year 2 reviews of Consumer Duty Board reports, and the wider Consumer Duty Requirements Review.

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AGENDA

What we'll cover in 35 minutes

01	**Regulatory anchor**	PRIN 2A.8.3-5R and the four FCA assessment headings
02	**Year 1 vs Year 2**	What firms improved, and where the FCA still wants more
03	**The four headings**	Governance · Monitoring · Actions · Future strategy
04	**Wider direction of travel**	CP25/37, TCF retirement, smaller-firm guidance
05	**Year 3 readiness**	Five practical moves before your next report

An opening thought…

A good Consumer Duty board report tells the story of customers whose outcomes got better because of decisions the board made.

- If your report can't do that, you have a compliance document, not a board report.

Another opening thought, that I presented to AFEP last month…

1. **PHRASE**: “We’ve completed the Consumer Duty Board Report.”

- **ACTUAL MEANING**: “We’ve created a 47-page document nobody will read, agreed nothing, changed nothing and made no decisions. We’re sending it to the Board and if asked, the FCA.”

2. **PHRASE**: “We’ve taken a proportionate approach.” [Also see “Peer Group Analysis”]

- **ACTUAL MEANING**: “We spoke to two of our competitors, the ones with a reputation for cutting corners. We copied theirs.”

Why Year 3 reporting matters more than the others

11 December 2024, updated 24 February 2026

Year 1 Good and Poor Practice Review

180 firms reviewed
Retail banking · wholesale · insurance · payments · consumer investments · consumer finance

55 smaller firms included, some with fewer than 10 employees.

16 April 2026

Year 2 Blog Jonathan Pearson

Head of Consumer Policy, FCA
Year 1 vs Year 2 progress and what comes next, drawing on a review of 80 second-year reports.

The current de facto benchmark for what "good" looks like heading into Year 3.

Read together, these tell you exactly what the FCA expects to see in Year 3.

Board reports are the FCA's primary lens into whether the Duty is actually changing outcomes inside your firm.

PRIN 2A.8.3-5R , what the rules actually require

THE OBLIGATION

Firms must prepare an annual report for the governing body covering:

- the results of monitoring under PRIN 2A.9
- any actions required as a result of that monitoring

THE FOUR BOARD STEPS

At least annually, the governing body must:

1. Review and approve the report
2. Confirm it is satisfied the firm is complying with its Duty obligations
3. Assess whether the firm's future business strategy is consistent with the Duty
4. Agree any required actions when approving the report

Board approval must not simply be a "rubber stamp"

The four headings

Four FCA assessment headings and our route through them

01	02	03	04
Report governance	**Monitoring and outcomes**	**Actions taken to comply with Duty obligations**	**Future business strategy**
Production, oversight, board challenge	Data, MI, customer-outcome evidence	Resolution of issues, effectiveness, follow-through	Strategic alignment, culture, governance

Source: FCA, Consumer Duty board reports: good practice and areas for improvement (Dec 2024, updated Feb 2026)

Report governance

GOOD PRACTICE

- Reports produced over time with input from relevant business areas, forums and committees
- Full 2LOD and 3LOD involvement, with independent assessments
- Documented board challenge e.g. on target markets, user research, vulnerability action plans
- Board challenge tracker carried across the year
- Active Consumer Duty Board Champion; many firms retained the role despite Year 2 flexibility

AREAS FOR IMPROVEMENT

- Reports produced almost solely by Compliance or a dedicated Duty function - missing business ownership
- Board acting as a "rubber stamp" rather than scrutinising
- Year 2 finding: most boards still don't adequately document the challenge they provided
- Approval is visible in the record, scrutiny is not

Year 3 prompt: would your minutes evidence challenge to an FCA reviewer?

Monitoring and outcomes: what good looks like

REAL EXAMPLES FROM THE FCA YEAR 1 REVIEW (180 FIRMS)

Complaints, plus root cause

Complaint trends linked to specific triggers, payment delays, card declines, KYC frictions, custody events - not just volume reporting.

Call abandonment

Call abandonment and chat queue spikes traced to specific causes (e.g., resources, system events) with corrective actions logged.

Customer-voice outcomes

Good outcomes defined as positive statements from the customer's point of view, paired with MI.

Fair value, evidenced

Fees, FX spreads and ancillary charges compared with the cost of providing the service and with market benchmarks, not asserted, evidenced.

Proactive vulnerability detection

Income shock detection; TEXAS model (Think, Explain, eXplicit consent, Ask, Signpost).

Distribution chain oversight

Documented monitoring of agents, distributors, programme managers and white-label partners, with measurable data flowing back to the principal firm.

Smaller firms, size is not an excuse

THE FCA NOTED

55

smaller firms in the Year 1 review — including firms with fewer than 10 employees.

Good practice was found in firms of all sizes.

PROPORTIONATE APPROACHES THE FCA ENDORSES

Critical friend

External sector-knowledgeable adviser where there's no formal 2^{nd} or 3^{rd} line

External data

FOS, trade bodies, anonymised peer benchmarking via trade body working groups.

Low-cost analytics

Drop-off data on fee pages → plainer language, infographics, FAQs → improved completion rates.

Natural advantages

Closer customer relationships enable bespoke vulnerability responses and faster iteration.

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Monitoring and outcomes, where firms must do more

High-level claims, no MI

"Products designed to meet target market needs" with no data to back up the claim.

Unjustified thresholds

RAG ratings stated without explaining why the threshold sits where it does.

Vulnerability as a catch-all

Treated as a single category rather than analysis of specific customer needs.

Narrative not matching MI

Positive vulnerability story while MI showed fewer than half were getting good outcomes. Continued high FOS uphold rates.

Weak distribution chain oversight

FCA signals forthcoming consultation on rules and guidance. Year 3 reports will be read against tougher expectations.

Thin on target markets

Little information on how target markets are determined or profiled.

Year 3 prompt: can your report define what good looks like, product by product, and where MI tells a different story, do you say so?

Actions taken to comply with Duty obligations

THE PRINCIPLE

Actions with evaluation

FCA good practice: specific examples that show action was taken, followed by an evaluation of effectiveness.

THE GAP

- Issues identified with no clear plan to resolve
- Actions claimed with no evidence remediation worked
- Vulnerability mentioned only fleetingly, including by larger firms

WORKED EXAMPLES FROM THE FCA REVIEW

Price and Value action

Tiered fee structures reviewed against customer usage data; FX spreads reduced where evidence showed corridor pricing was out of line; minimum charges removed for low-value customer segments.

Communications redesign

Webform simplifications driving measurable completion uplift; one firm's communications review found 99% of in-scope materials required change

Vulnerability: Example disclosure and fix

Disclosure process simplified (often via app) → measurable increase in disclosures. British Sign Language (BSL) communications introduced.

Vulnerability: Example disclosure and fix

Existing data used to bypass written-submission requirement for a customer who had lost the use of their hands, with file note for future access.

Future business strategy

Strategic change

GOOD PRACTICE

Concrete amendments to strategy that build in the four outcomes.

AREAS FOR IMPROVEMENT

"Aligned with the Duty" claims with no detail or evidence of review.

Culture

GOOD PRACTICE

Training completion data, tone-from-the-top commentary, remuneration aligned with the Duty e.g. one bank where every employee has a consumer-outcomes objective.

AREAS FOR IMPROVEMENT

Cultural claims with no supporting evidence, no training data, no remuneration design.

Governance & QA

GOOD PRACTICE

Forums aligned to the four outcomes with vulnerability remit. One firm running QA on 20+ vulnerability cases per month.

AREAS FOR IMPROVEMENT

Future actions without owners or timescales.

CP25/37 — and why it matters for Year 3

THE STRATEGIC SIGNAL

The Duty is being asked to do more of the work.

The Consumer Duty Requirements Review is paring back prescriptive product rules (PPI eligibility, PBA eligibility, the 12-month funeral plan review) and relying on the Duty to maintain consumer protection.

> *"...the PRIN 2A.8.3R board report provides an additional layer of oversight and helps mitigate potential risks associated with removing the rule."*
>
> *CP25/37 §5.19 — respondents on removing funeral plan review rules*

WHAT CHANGES FOR BOARD REPORTS

Smaller Firm Guide pilot

Sector-specific directory-style guide with good/poor examples. Pilot in credit broking. Roll-out across other sectors expected from 2026.

TCF materials retired

2006 TCF outcomes paper, 2007 MI guide, 2007 culture paper and "Fair treatment of customers" web page being removed.

RPPD retired

Responsibilities of Providers and Distributors guide (2007) to be retired — no longer reflects current product governance.

New Glossary definition

"Consumer Duty" defined in the Handbook as the obligations in Principle 12 and PRIN 2A.

FG21/1 to be updated

Vulnerability guidance update expected in H1 2026 to align with the Duty.

Five practical moves before your next report

A	**Re-baseline outcomes definitions**	For each product, state what good looks like in plain customer language, paired with the MI that proves it.
B	**Justify your thresholds**	Don't just RAG-rate — explain why the threshold sits where it does and what the customer experience is on either side.
C	**Show challenge, not just approval**	Redesign minute formats and report structure to capture board questions, scrutiny and follow-ups.
D	**Close the action loop**	Every action from Year 2 needs a Year 3 effectiveness data point — outcomes, not just outputs.
E	**Map distribution chain visibility**	Identify gaps now. The FCA's planned consultation will sharpen Year 3 expectations.

DISCUSSION

Some questions we've been asked in the past

- How proportionate is proportionate for a small firm's distribution chain monitoring?
- What's the right cadence for Consumer Duty engagement at board level between annual reports?
- How do you handle a metric that's clearly moving the wrong way — in the report itself?
- Where does the line sit between board challenge and management's job?

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SOURCES

FCA references used in this briefing

Year 1 Review

FCA - Consumer Duty board reports: good practice and areas for improvement

Published 11 December 2024; last updated 9 March 2026. 180-firm review across retail banking, wholesale, insurance, payments, consumer investments, consumer finance. 55 smaller firms included.

Year 2 Blog

FCA - Year 2 Consumer Duty Board Reports: progress and what comes next

Jonathan Pearson, Head of Consumer Policy. Published 16 April 2026.

Wider review

FCA - CP25/37: Targeted Clarifications of Handbook Materials

December 2025. Part of the Consumer Duty Requirements Review workplan (FS25/2). Consultation closed 27 January 2026.

Underlying rules

FCA Handbook — PRIN 2A.8 (Board Report); PRIN 2A.9 (Monitoring); FG22/5 (Finalised Guidance)

Core obligations referenced throughout this webinar.