

TCF, MI and CoFI

Compli-Serve SA

The Conduct of Financial Institutions Bill (CoFI), embeds the Treating Customers Fairly (TCF) outcomes, which means they will become binding in SA. Fair treatment should be central to the firm culture, products should actually meet needs of consumers. Suitable advice should be provided, which takes into account the circumstances of consumers. Performance expectations should be met, and consumers should not face unreasonable post-sale barriers imposed by firms to change products, switch providers, submit a claim or make a complaint.

Consumers should be provided with clear information and kept appropriately informed before, during and after the point of sale, i.e. throughout the products/service life cycle.

TCF is not about creating satisfied consumers at all costs. A satisfied consumer can still be treated unfairly and not know that he/she was treated unfairly. TCF does not absolve consumers from making decisions and taking responsibility for such decisions - consumers still have a responsibility to know what they are getting into and to take responsibility for their decisions. It also does not mean that all companies must do business in an identical manner - as long as business is done fairly and transparently, TCF requirements will be met.

A refresher - MI/TCF

As part of any TCF initiative the Regulator will expect FSPs to demonstrate that:

1. They are integrating TCF into their business culture – adequate resources and responsibilities need to be allocated, plans and processes developed and capability created.
2. They have the appropriate MI or measures in place to test whether they are treating their customers fairly including by delivering the six TCF consumer outcomes.
3. The Management Information (MI) demonstrates to everyone that they are consistently treating customers fairly and delivering the consumer outcomes.
4. There are processes in place that monitor the MI to enable the right people to take action – this will become 'business as usual'.

Six TCF Outcomes

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

Types of MI

MI can come in many different forms. Some common types are:

- new business register
- business persistency
- training and competence records
- file reviews
- customer feedback
- compliance reports

A typical approach to delivery of the TCF consumer outcomes involves developing responsibilities, processes, controls and standards. However, it is not possible for a FSP to demonstrate that it is actually delivering the TCF consumer outcomes without some evidence. For example, the statement that a process exists, or a control is in place, does not indicate that the process is followed all of the time or that the control is 100% effective in delivering the desired outcome. If a task is added to someone's job role as part of TCF, do they complete it? Are they assessed on how well they complete it? Is this assessment linked to their appraisal and through that to their reward

and remuneration? If someone is responsible for a task, to whom are they responsible? Would it affect their reward if they did not do the task to a satisfactory standard?

MI is information that is collected during a period of business activity. It may be about customers, staff, calls, visits, meetings, sales, opinions, parts of a process, predictions etc. MI is not just numbers. Quantitative data is valuable to any business, but commentary or opinions are also MI and can help provide a comprehensive, balanced view. All information relevant to a firm, from whatever source, can be described as MI.

Good MI should enable management to make good decisions. To do this, the MI should be:

- Accurate – the correct numbers with any commentary contributed by the right people.
- Timely – available sufficiently quickly after the relevant business activity to enable managers to act.
- Relevant – displaying what a manager can directly influence or something that they may need to escalate to someone who can take the necessary action.
- Consistent – consistent on a period-to-period basis to allow managers to spot trends and make sound decisions.

There may also be MI that is produced for, or requested by, management on a particular issue or concern on an ad hoc or infrequent basis. This approach is more cost effective if the investigation is a one-off event. In general, though, MI should be produced and monitored regularly to avoid problems rather than commissioned in response to problems.

Principles of good TCF MI

- TCF MI should generally focus on how far a firm is delivering the TCF consumer outcomes rather than measuring processes. Information on process can be helpful, but is unlikely to be enough to demonstrate delivery of TCF outcomes.
- TCF MI is more than just MI that indicates the status of a firm's TCF initiative. TCF relates to the business activities that firms carry out now and MI on those activities can be regarded as TCF MI.
- Some TCF MI will already exist. TCF should not generally require the creation of substantial amounts of new information – the relevant information may already be available in the form of current MI the firm collects. In many cases, an expansion of existing MI to include extra analysis may enable firms to demonstrate delivery of TCF outcomes. The difference may be the viewpoint with management considering 'what is the MI telling the firm about the consumer outcomes?' rather than, for example, the performance of the firm.
- MI on customer satisfaction may be indicative of fairness. However it does not demonstrate fairness – customers can be satisfied with unfair treatment and dissatisfied with fair treatment.
- MI is not just about different parts of a firm telling each other things. It is about measuring performance and identifying potential risks. It can be a summary of what a firm already knows, but presented in a way that helps management see a pattern and make a decision. This is relevant to very small firms who may feel that MI only refers to large firms where there are different layers of management.

Good example of MI

- Of sales last month 35% were product **x**, 25% were product **z**, 20% were product **y** and the remainder was made up of product **w**.

Bad example of MI

- From the financial ledger the firm can prove it made 41 sales last month.

The good example demonstrates detail in the information enabling management to identify risks, for example how sales of each product compare to marketing plans. This will illustrate delivery against TCF Outcome 2. The poor example does not contain sufficient detail to enable management to review sales by product.

Good example of MI

- The head partner and business manager of a medium-sized firm meet every fortnight and discuss the current MI including all TCF MI.
- The TCF MI pack is in the papers for the board meeting.
- A newsletter to all staff illustrates how the firm is performing against customer expectations.

Bad example of MI

- All MI is emailed to sales advisers every month.
- The CEO can access the MI by looking on the shared computer drive in the office.
- MI reports are stored in the business information filing cabinet.
- MI is produced on request. If no-one asks to see a report in a given month the firm does not run the report.

In the good examples TCF MI is seen promptly by the right people so that they can act. A newsletter to staff can be a good way of keeping TCF 'fresh' and 'business as usual'.

In the poor examples the MI goes to the wrong people; to the right person but may not be looked at; can be overlooked; or fall into disuse.

The right MI needs to be seen by the right people at the right time. Passive presentation or ad-hoc production does not demonstrate that anyone has looked at it.

Good example of MI

- A firm attributes a root cause to all complaints.

Bad example of MI

- A firm takes the view that all complaints are unjustified so does not categorise the cause of complaints.

In the good example the exercise is performed in such a way that common themes can be spotted and resolved.

The attached [guidance](#) outlines some further illustrations as to how MI can measure TCF effectively in FSPs (from page 12). These were released by the UK's Financial Conduct Authority (previously FSA), and are still very much pertinent today and a useful reference.