



TCF Tracker

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Background

- At the TCF Conference held on 7th November 2006, delegates were invited to participate in a series of polls. The audience of 400 which comprised compliance officers and those responsible for TCF in their firms voted by interactive keypads. (source <http://www.fsa.gov.uk/pages/Doing/Regulated/tcf/library/results.shtml>)
- A couple of the answers are worrying from the marketers perspective
 - ▶ Biggest challenge to your company in implementing TCF? - **Consumer expectations 37%**
 - ▶ 38% found Principles base regulation “**Unclear**”
 - ▶ When asked about affinity insurance sales by a supermarket “Who is responsible for ensuring that the consumer is provided with clear information at the point of sale?” only 24% correctly answered Supermarket and only 9% correctly identified that the Supermarket is also responsible for ensuring that TCF is built into the product design process?
- Where does this leave FS marketers?
- So we asked if consumers believe that they are being treated fairly using the CCB Consumer Voice online research panel and received over **2,500 responses within 48 hours**



Summary

- Only 6% of customers believe their FS providers consider their needs in the DM that they receive
- 17.3% will make a complaint when unhappy with DM, that's a lot of customer service resource!
 - ▶ 1.4% would complain to a watchdog such as the FSA
- 45% find it difficult to understand financial DM
 - ▶ Reduced response rates?
 - ▶ TCF risk
- 19% feel that they are treated “very fairly” in the DM they receive
- 56% of consumers feel that financial advertising gives inconsistent messages across media channels
 - ▶ How does this affect TCF compliance?



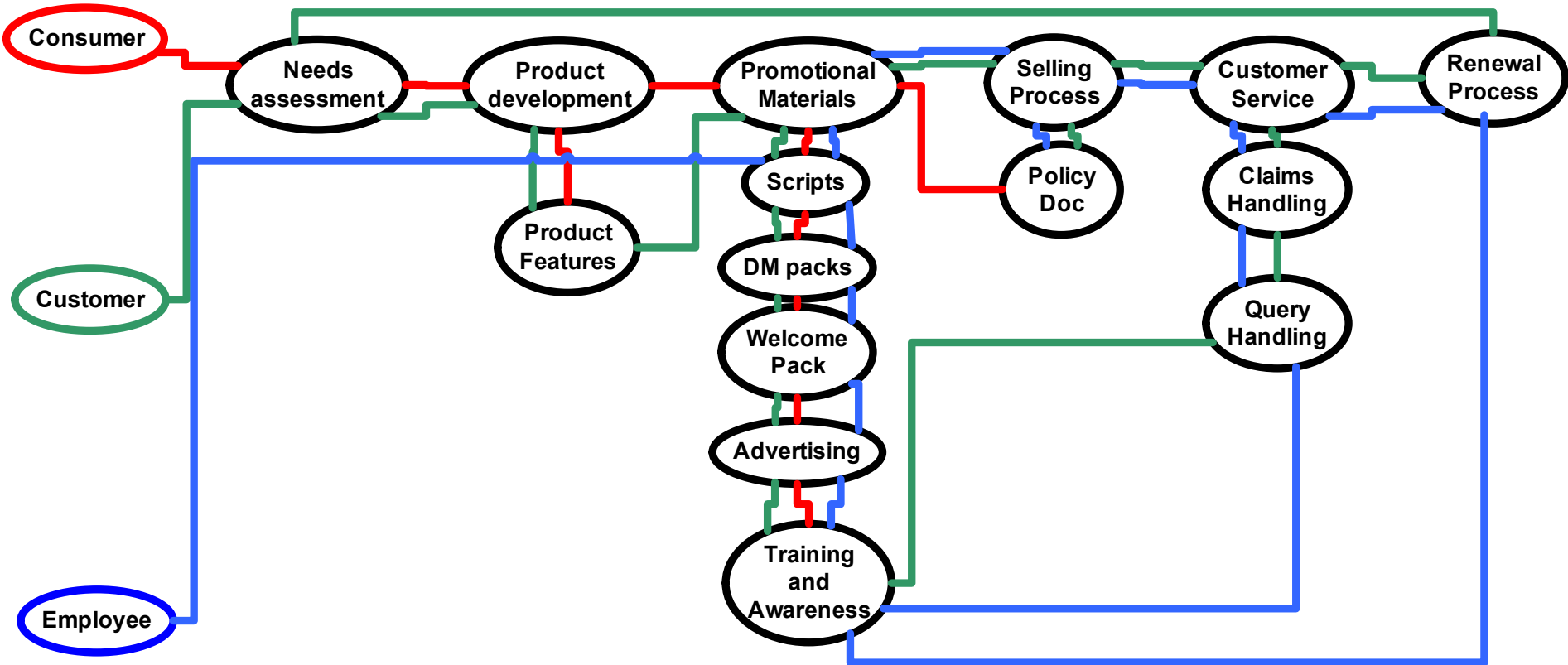
TCF Tracker

An Online TCF solution designed to support compliance through the gathering and correlation of employee, customer and consumer information. The solution supports full audit trail with benchmarking independently from client organisations own compliance efforts.



Consistent questions over time

Consumer Panel	Employee panel	Customer panel	Benchmarking and analysis	Ad hoc questions
<ul style="list-style-type: none"> • 30,000 online • Attitude and behaviours • Product Development • Product Features • Promotional Materials 	<ul style="list-style-type: none"> • 100 employee surveys per month • Training • Selling Process • Issue resolution and claims handling 	<p>Customer survey to all new customers</p> <ul style="list-style-type: none"> • MI • Policy docs/Welcome Pack • Query Handling • Claim Handling • Renewal Process 	<p>MI created to support change in behaviours</p> <p>Benchmarked against all users of TCF solution</p> <p>All free text queries and</p>	<p>Ask additional questions to enhance</p> <ul style="list-style-type: none"> • NPD • Pricing • Targeting • Creative testing
<p>Timescale:</p> <p>Monthly test</p>	<p>Timescale:</p> <p>Monthly test</p>	<p>Timescale:</p> <p>Weekly test</p>	<p>Timescale:</p> <p>monthly</p>	<p>Timescale:</p> <p>Ad hoc</p>
<p>Outcomes:</p> <p>Identify consumer needs and key drivers to support product development and promotional materials</p>	<p>Outcomes:</p> <p>Identify employee understanding, and potential training requirements</p>	<p>Outcomes:</p> <p>Identify customer drivers consumer needs and key drivers to support product development, promotional material, selling process and customer service levels</p>	<p>Outcomes:</p> <p>Reporting to identify changes and issues, benchmarking against the industry (closed user group) to ensure ongoing compliance</p>	<p>Outcomes:</p> <p>Asking questions long term development and specific to your needs</p>





Tracker Modules

Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture.

Module	Components	Benefits
New Product Development	<ul style="list-style-type: none"> •KFI awareness •Product concepts •Needs Assessment •Product Features •Pricing 	<p>Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.</p> <p>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.</p>
Marketing Promotions	<ul style="list-style-type: none"> •KFI awareness •Promotional Material • Scripts •Policy Docs •Advertising •Training and Assessment • Renewal process 	<p>Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.</p>
Sales	<ul style="list-style-type: none"> •KFI awareness •Product knowledge 	<p>Where consumers receive advice, the advice is suitable and takes account of their circumstances.</p>
Customer Service	<p>Claims Handling</p> <p>Query Handling</p> <p>Call Handling and experience</p>	<p>Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint</p>



TCF Tracker

- Outcome 1: Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture.
- Outcome 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.
- Outcome 3: Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.
- Outcome 4: Where consumers receive advice, the advice is suitable and takes account of their circumstances.
- Outcome 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.
- Outcome 6: Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.



Why Core Insight

- **Fast and flexible**
 - ▶ Deployed in 2-3 weeks
- Benchmarking across the industry initially and products within 12 months
- Independent
- Touch all aspects of TCF with consistency
- Measurable impact of Compliance
- Issue and trend spotting at early stages of divergence



Risk of non compliance

Focus on fines

- **Advised telephone sales of PPI - Potential fine £650,000 - actual fine £455,000 (October 2006)**
- **Sales process failings (sales scripts):**
- High number of advisers failed to cover all aspects of the provided sales script. This resulted in both inadequate disclosure and inadequate records (e.g. of existing cover) to demonstrate suitability.
- **Record keeping/suitability failings:**
- Insufficient information gathering or record keeping to show that the policy recommendations made were suitable.
- As part of the above, insufficient records to link telephone calls to individual customers - and therefore to evidence the demands and needs of the customer on file.
- **Disclosure and suitability failings:**
- Customers weren't made fully aware that there may be parts of the policy under which they couldn't claim.
- Where customers were sold single premium policies, insufficient disclosure on price suggested that this wasn't always done with the best interests of the customer in mind.
- Customers didn't receive enough information at the point of recommendation to make an informed decision about the PPI policy being offered.
- **Complaint handling failings:**
- The firm failed to implement adequate complaint identification and handling procedures - increased risk of customer not being treated fairly/in a timely manner where they had a complaint.



Risk of non compliance

- The Financial Services Authority (FSA) has fined HFC Bank Ltd (HFC) £1,085,000 for failing to take reasonable care to ensure that the advice it gave customers to buy Payment Protection Insurance (PPI) was suitable, and for failing to have adequate systems and controls for the sale of PPI.
- From January 2005 to May 2007, HFC's procedures did not require advisers in its branch network to gather sufficient information about customers' circumstances and take sufficient information into account when considering whether PPI was suitable. HFC also did not require advisers to explain fully why they recommended a particular policy or identify to customers any demands and needs which the policy would not meet. These and other failings meant that HFC put its customers at an unacceptable risk of being sold PPI when it was not suitable for them.
- FSA Director of Enforcement Margaret Cole said:
- "We are determined to see much better practice in the PPI market. We announced in September that we would be imposing higher fines for serious failings in the retail market including against firms who fall short in relation to PPI. The fine against HFC - the biggest PPI fine to date and first since our September announcement - is evidence of our determination in this area. HFC's failings put its customers at risk of buying unsuitable protection insurance and the financial impact on them of unsuitable advice was likely to be significant."

In addition, the FSA found that as a result of HFC's inadequate systems and controls:

- it did not have effective systems to train and monitor its staff and failed to ensure that its procedures for monitoring sales staff effectively identified and investigated potentially unsuitable sales;
- management information provided to HFC's senior management was not sufficient to enable them to identify problems with the sale of PPI; and its records were not sufficient to demonstrate its sales were suitable.



Want to know more?

If you'd like more detailed information on our ISA research and acquisition models, or any of our recent consumer research on:

- ✓ Treating Customers Fairly
- ✓ Insurance Switchers
- ✓ Home Movers Marketing Opportunities
- ✓ Mortgage Switchers
- ✓ The Pensions Gap
- ✓ Credit Card Market

Or if you have any specific areas you'd like us to include in our upcoming monthly surveys

Please feel free to email frank@coreinsight.co.uk