



BUSINESSSENSE

# Rules of the game: FCA regulations

Each month in these pages Tim Kelly takes you deeper into “the game” – and it’s a game you need to learn. In this issue we look at the rules that insurers have to follow.

All financial institutions are bound by the Financial Services and Markets Act 2000. The Financial Conduct Authority (FCA) is the regulator, and sets the regulations by which these institutions have to abide, whether that be pensions, banking or, specifically the area we are looking at, insurance.

Having knowledge of these regulations will help you in your normal life, as well as working in the vehicle repair industry, but there is a huge volume of information to wade through and digest – case law, precedents and statutes to cross reference – and I know this will switch most readers off.

I will hopefully make this much easier for you and will point you to the bits that I use and refer to most of the time. All financial industries have to follow the business standards (*see chart*).

## Principles of business

Follow the link to see what businesses *MUST* do:

<https://www.handbook.fca.org.uk/handbook/PRIN/2/?view=chapter>

When I deal with insurers, I make them aware of their statutory duty to act with integrity (1). They must apply “due skill, care and diligence” when delivering “advice” when they are handling claims as it becomes a “regulated activity” when they do (2). When doing so, they *MUST* pay due regard to the interests of the customer and “treat them fairly” (6).

Rather than just words, “treating customers fairly” in the world of the FCA mean so much more (see <https://www.fca.org.uk/firms/fair-treatment-customers>).

## Consumer outcomes

There are six consumer outcomes that firms should strive to achieve to ensure fair treatment of customers. These remain core to what we expect of firms.

- **Outcome 1:** Consumers can be confident 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 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.

## Regulatory responsibilities

Firms are responsible for making sure customers are treated fairly. FCA principles (PRIN) (see <https://www.fca.org.uk/about/principles-good-regulation>) include explicit and implicit guidance on the fair treatment of customers. Principle 6 says: “A firm must pay due regard to the interests of its customers and treat them fairly”, but other principles also apply to this area of business behaviour.

These principles apply even for firms that do not have direct contact with retail customers. Risks and poor conduct can be carried from wholesale to retail markets.

As a vehicle repairer who may lose work due to “customer steerage” by insurers, the principles of “treating customers fairly” need to be used when fighting back against insurers. Think of how you and your customers experience insurers relative to the above.

The next area of PRIN I want to draw your attention to is item number (8) Conflicts of Interest. Should insurers be acting as the agent of repair? I will expand a little bit more on FCA regulations next month with ICBS (*Insurance Conduct of Business Sourcebook*).