

# Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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By email: [cp19-08@fca.org.uk](mailto:cp19-08@fca.org.uk)

Dear Toby,

## **Financial Services Consumer Panel (The Panel) response to CP19/08: General Insurance (GI) Value Measures reporting**

The Panel welcomes the opportunity to respond to this consultation to express our continued support for the pilot work and the proposals to require firms to use the data as part of their product governance.

The Panel has previously said the FCA must focus on supply-side behaviour to address consumer harm in the GI sector. We believe that the FCA's approach to put the onus on firms to use the GI value measures data in product governance rules is a step in the right direction towards creating a common set of measures for assessing product value. The Panel believes that the key test for competition working in the interests of consumers is whether consumers have information available that enables them to assess whether a product or service is good value for money, and whether firms respond to this by offering products and services that perform for consumers and meet consumers' needs at competitive prices.

We very much support what we view as a material shift in the FCA's traditional supervisory approach from a narrow focus on consumer behaviour of switching, to an approach which addresses poor practice and products among firms that result in harm to consumers. The onus will rightly urge firms to consider the value of their products to customers and where improvements can be made. We hope this marks the beginning of a renewal of firms' attitudes to the entire value chain, moving the focus away from price alone, in favour of product quality and performance with consumers getting better products and choice in the GI market.

The Panel believes consumer organisations should take full advantage of this data and the FCA should seek ways that it can facilitate this outcome. Due to its complexity, the data in its current form, cannot be directly used by consumers so it will be imperative that the FCA takes steps to encourage intermediaries with the right technological tools who can help consumers benefit from the information being available in the public domain. It is important that the measures are proliferated as the common set of measures for product value. The Panel would like to see similar clarity adopted in other areas regulated by the FCA.

Yours sincerely,

Wanda Goldwag  
Chair, Financial Services Consumer Panel

The Panel generally agrees with the proposals concerning product scope and more granular data reporting which will help both the FCA and firms regularly evaluate their distribution chains to the consumer's benefit. In that context, we would like to focus on the areas below.

### **Value measures metrics**

The metrics used in the pilot worked well to determine the value of a product. The Panel supports the proposal to give more context to the severity of claims alongside the average claims pay-out. This would be beneficial and may even encourage consumer organisations to take note of when customers may not be getting value for money or where products are inadequate.

The Panel fully supports the introduction of the additional metric of claims complaints as a percentage of claims. A great deal of insight can be gained by measuring complaints during the claim period. We hope that by including this metric in the data it will drive competition in the market, highlight poor firm practice and expose products that are not working well for consumers.

We would urge the FCA to continue to liaise with the Financial Ombudsman Service who may also be able to give insight into the complaints its receives concerning the consumer experience during the claim process.

The Panel continues to believe that claims ratio should be included in the data as a key indication of product value. There is, however, an issue of gaming around claims ratios which must be considered. For example, claims that are withdrawn do not count towards claims ratios. If a claim is out of scope of a policy a firm would be expected to reject it, which would depress the claims ratio. If, however, the claimant withdraws the claim it does not count. Firms can say to consumers "*If you withdraw the claim you will not have a rejected claim on your record.*" So potentially, both parties gain from the gaming. The Panel is not able to confirm how widespread and issue this is, but this potential to game the system will need to be considered if claims ratio is included in the metrics.

We also believe that claims settlement times should be included as a metric. This is a very important issue for consumers and SMEs. The FCA acknowledges the 'considerable impact' delays can have on SMEs finances and business continuity.<sup>1</sup> The scope for financial hardship for consumers arising from unduly long settlement times is obvious. Since May 2017 the Enterprise Act 2016 has implied a term in all new insurance contracts which requires insurers to pay claims within a 'reasonable time'. While a failure to do so now gives rise to a liability to pay additional compensation for unreasonable delay, data about settlement times remains a key issue for consumers and SMEs to help them make informed decisions about which insurer they choose.

### **Product governance and oversight**

We welcome the proposal to enhance product governance rules that will make the value measures data a compulsory consideration when assessing value to consumers. This additional measure will be the incentive for firms to re-evaluate their existing approach and start making changes that will see better, more suitable products being sold, driving competition between firms and improving consumer trust in the products they purchase.

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<sup>1</sup> <https://www.fca.org.uk/publication/thematic-reviews/tr15-06.pdf>

The Panel believes the proposals will promote competition which will improve consumer outcomes. Promoting competition in product value creates incentives for firms to improve products and address products that do not meet consumers expectations and needs. The FCA could seek to assess the impact of the proposals by measuring the number of 'improved' products delivered to consumers following implementation.

We agree with the FCA's recognition that value measures data should be part of firms' product governance processes and controls, and that the data must play an important role in helping to highlight a range of potential issues for consumers.

It is imperative that the use of the data by firms is subject to the client best interest tests under the IDD. If the obligation to act in the client's best interest is not extended to the firms' use of the data, then that would serve to undermine the objectives of the proposals.

### **Effective use of the data**

The availability of the value measures data is a pivotal moment in value for money assessments. To date there appears to have been little take up of the data by consumer representatives and intermediaries. Given the complexity of the data in its current form, consumers are unlikely to make direct use of it. There is an urgent need for intermediaries to analyse the data and present it in a way that can be used by consumers in making their product choices across multiple providers.

This role can be filled both by consumer and trade organisations that support the sector value chain, and price comparison websites (PCWs) who will all need to play a key role in moving consumer decision making away from price alone, to use of the rich data collected and published by the FCA.

The FCA must ensure that consumer groups and market commentators are able to easily make use of the data and to make this available to consumers. PCWs play a key role in helping with the consumer's decision process. Value measures data is much more objective and better value for consumers than the current focus on price alone.

The FCA may want to seek further feedback from consumer representatives as to why they have not made more use of the data. It could be due to resource limitations, but it could also be due to the complexity of the data format. The format of the data publication following the pilots is difficult to digest. The FCA should consider whether the data format has prevented engagement by consumer organisations.

The FCA's approach to supervision of firms will need to be rigorous to assess clear indications of how the data is being taken on board in product development. The FCA should identify specific outcome indicators to assess changes in consumer outcomes.