For financial advisers and Employee Benefit Consultants only

May 2025

Consumer Duty – your questions answered

Here, we answer some of the key questions we've received about the Consumer Duty – the four outcomes as well as culture, evidence and monitoring.

If you need a refresh of the rules, please visit our dedicated **Consumer Duty hub**, where you'll find resources to support you and your business.

Contents

Products and services

What are the FCA’s expectations?

This outcome requires firms to design products and services to deliver good outcomes for target audiences. This requires information from manufacturers including product characteristics, identified target markets and appropriate distribution strategies. The granularity of a manufacturer’s target markets must reflect the characteristics, complexity and risk of consumer harm of the product.

How should I use product value assessments?

The FCA expects advisers to keep under review the price and value of the service they provide to retail customers, including any products they distribute that are manufactured by another party.

To do this, advisers need information from providers (manufacturers) on the intended target markets and appropriate distribution strategies. Advisers also need confidence that the provider has reviewed the fair value of products and services and for open products, have shared the outcome of this value assessment. Our ‘outcomes of value assessments’ for open products are available on our **Product oversight and governance library**, with a summary of key benefits to the target market and the negative target market.

Advisers don’t need to review the detail of the assessment carried out, the outcome is key to record and note.

Advisers must focus on adding in their adviser charges and service to assess overall value right across the chain, as well as considering alignment of their target market with that of the product design. Aegon has already made an allowance for a typical range of adviser charges when we carried out our product value assessments. As part of their Consumer Duty responsibilities, advisers need to make sure they're comfortable with the value and price of their service.

Where can I find Aegon's outcomes of product value assessments?

We've published the outcomes of our value assessments, which confirm all our open and closed products offer fair value to our target markets, meaning you can continue to recommend our products with confidence. As well as the outcome of our assessments, we've updated our summaries with the target market for our products, main features and characteristics and risks.

Unlike open books, manufacturers aren't required to share the outcomes of value assessments for closed books, but we've added the value assessment outcomes to our Product and governance oversight library as advisers may want to see the outcome.

Resources:

Visit our **Product oversight and governance library**

Can I rely on a product provider's assessment?

The FCA has made clear that advisers don't need to check or second guess provider's assessments.

How do Aegon make sure products are still fit for purpose?

We run an existing robust Product Lifecyle Management (PLM) review cycle for all our products, which is overseen by our Product Management Forum (PMF). These PLM reviews interrogate that the product is still fit for purpose, monitor customer outcomes and behaviours and conduct an overall health check of the proposition including to reflect existing or expected regulatory developments.

The PMF monitors and tracks any action arising from the reviews and is governed by our Customer Committee. All products are subject to these reviews on a regular basis, and this will continue.

Resources:

Find out how we deliver good outcomes in our **Product oversight and governance – delivering fair value through our retail products** guide

Has Aegon made any changes to products and services?

Any product changes we make follow our Proposition Development Policy, which includes regular Product Lifecyle reviews. If we decide any material changes are needed, we'll get in touch with you and your clients to let you know.

Do I need to change the service I provide to my clients?

The provision of **advice** is with the intention of meeting client needs and in the spirit of the Consumer Duty, so your advice process may not need to change or change much. We've provided some areas to consider below:

- **Articulate your services** – review each of your different advice or other services and importantly how these are articulated / described.
- **Document target markets for services** – make sure you've documented the target market you have for each service.
- **Is ongoing advice necessary** – is there a need for ongoing advice and does the benefit of this to the client outweigh the cost?
- **Confirming you're delivering service**s – if you're charging for a service, make sure you deliver that service. This has been emphasised in the FCA's Ongoing Advice Review.
- **Review suitability reports** – reviewing the content and construction of suitability reports. If you use generic paragraphs, make sure the end result is sufficiently tailored, and not too generic.
- **Consider foreseeable harm** – increase emphasis on considering foreseeable harm including any newly emerging if offering ongoing advice.
- **Check client understanding** – increase the emphasis on checking understanding and documenting the outcome.

Does the Consumer Duty have separate implications for Defined Benefit (DB) transfer advice?

You should consider any specialist advice services separately. For example, if you offer DB transfer advice, the FCA's expectations are likely to be higher because of the risk of harm, the complexity and the types of customers you may be advising. There, it may be helpful when assessing value to think of the advice on transferring separate from the advice on product recommendation.

Resources:

Consumer Duty and DB transfer advice

Is financial wellbeing consistent with the Consumer Duty?

A focus on financial wellbeing, in addition to the hard numbers, is an area where advisers can add additional value.

We see it as very aligned to the Duty – for example, one element of a healthy mindset is an ability to picture your future self. That can really help engage the client with understanding foreseeable harm and how you're seeking to avoid that. As well as the considerations above, it would be worth including a reference to financial wellbeing when services are being articulated.

Resources:

Financial wellbeing hub – visit our hub to find our latest research, guidance and support helping you to identify new advice opportunities.

Second 50 hub – at Aegon, we're exploring life after 50, or what we call the Second 50.
Take a look at our resources to discover the changing nature of later life.

Price and value

What does the FCA expect?

This outcome requires firms to demonstrate charging approaches offer fair value, including between groups. The FCA defines ‘value’ as the relationship between the overall price the customer will pay over their lifetime with the product or service, and the benefits they’re likely to receive. So, this outcome isn’t just about charges. The FCA suggests any firm assessing the value of a service might consider what it costs them to provide it and market rates for comparable services.

What represents ‘value’?

The FCA accepts that value isn’t all about price and cheapest isn’t necessarily best. There are a number of dimensions here.

- Does the design and structure deliver good value to those customers in target markets?
- Demonstrate you’re offering fair value to different groups of customers.

What responsibility do I have in assessing value?

Advisers have a two-fold responsibility.

- First, the adviser needs to show that their own charges for advice represent value. As part of this, it’s important to recognise that advice has a value in its own right, separate from any product recommendation – that is a fundamental aspect of the Retail Distribution Review
- Second, that the overall charges across the whole distribution chain, so everything that’s come before and then the adviser charge on top, still offer value.

Do I need to change my charging approach?

There’s no overall requirement for advisers to change their charging approach. However, the FCA gives some examples in guidance around possible concerns.

- The FCA has identified possible issues with fixed £ charges – these may not deliver good value for low-wealth individuals or those making smaller investments. This may mean you have to exclude them from your target market if you charge in this way. Unfortunately, this could increase the advice gap.
- And also, flat percentage charging can raise issues of fairness between those with small and large sums to invest. The FCA suggests you consider how much it costs to provide a service and if it costs you largely the same irrespective of the sum being invested, it may not be fair to charge the same percentage. This may point to having a tiered approach to charging.

You may need to segment and structure charges accordingly.

Resources:

Find out how our platforms’ tiered charging structure works:

- **Aegon Retirement Choices charges guide**
- **Aegon Platform annual charge guide**
- **One Retirement charges guide**

Do I need to prove I provide better value than going direct?

No, there's no suggestion you need to prove your service is better value than direct.

How often do I need to review the services I offer my clients?

The FCA doesn't prescribe how often you need to review the services you're offering to your target markets. How often you carry out a review may depend on whether there are broad changes in the market or amongst your customer target groups that might mean an assessment of value may be different.

Consumer understanding

What does the FCA expect?

This outcome requires firms to truly promote understanding, helping customers avoid foreseeable harm and pursue their financial objectives. This outcome relates to all forms of communication – verbal, visual and written. The many existing regulatory requirements around communications must continue to be met in full.

How does Aegon assess customer understanding?

We carry out scenario testing of products to consider what outcomes they'll produce. If we launch a new product, we carry out focus groups to understand consumer reactions and understanding of communications and processes.

For broader communications, we gauge understanding and usefulness/accessibility indirectly. This includes delivery mechanisms, visuals, formats etc, as well as the words. We have a customer panel we use for this, including Aegon customers and others.

How can I assess if communications promote understanding?

Where client communications are tailored for each individual, you can check their understanding as part of the advice process. This is something firms should also consider recording evidence of. Adviser firms might consider improving suitability reports – perhaps making them easier to navigate or reviewing the use of any generic paragraphs. If you offer mass communications and these are important, you should consider carrying out pre and / or post testing for understandability.

Consumer support

What does the FCA expect?

This outcome requires firms to adopt a tailored approach to the needs of customer groups including those with characteristics of vulnerability. This may be more relevant to those responsible for products once they've been purchased. But adviser firms should consider aspects such as managing and monitoring complaints and carrying out root cause analysis.

Do I need to switch providers if my client is receiving poor customer service?

Clearly, manufacturers need to deliver good standards of customer support. This is part of their assessment of value and of avoiding foreseeable harm. Continuously failing to reach an acceptable standard of customer support with no concrete plan to remedy this could mean poor outcomes and might prompt you to consider switching provider. You would of course need to demonstrate this was suitable advice.

Should my firm’s approach to vulnerable customers change?

The industry has been on a journey in terms of how to identify characteristics of vulnerability and to adapt not just our products and services but approaches accordingly. The Consumer Duty strengthens these expectations further and firms should make sure their employees know what to look out for and how to record instances of vulnerability.

Firms can’t simply wait for a customer to tell them of a vulnerability – they need to look out for signs of these proactively.

The FCA is also keen to see firms actually measuring the outcomes vulnerable customers receive.

How can I protect my clients from every foreseeable harm?

You should consider if your client is open to foreseeable harm. The FCA accepts that no firm can protect all customers from every harm. You won’t be held accountable for risks you reasonably believed the client understood and accepted. You can still act on behalf of insistent clients, provided you explain to them the risks of acting against your advice.

Culture, governance and accountability

What does the FCA expect?

The final rules and guidance placed much more emphasis on culture, governance and accountability. The FCA expects that delivering good outcomes is at the centre of a firm’s strategy and culture.

What do providers and advisers need to do?

Firms should be able to demonstrate how their strategy and purpose, whether publicised or not, is consistent with the Consumer Duty. The Consumer Duty should be reflected right across people policies, remuneration and culture, all to be consistent with delivering good outcomes for customers.

How is compliance enforced?

The FCA enforces compliance, including through the Senior Managers and Certification Regime.

Does the FCA treat all firms same?

The FCA has said it takes a proportionate approach to supervision based on the size of a firm and the nature of its products or services including the risk of poor outcomes.

Monitoring, evidence and MI

What does the FCA expect?

The FCA places a major emphasis not only on delivering good outcomes but evidencing this through robust MI. Adviser firms should regularly review all existing MI for completeness against the Consumer Duty.

What does robust MI look like?

The FCA has made it clear that it isn't enough to **deliver** good outcomes, prevent foreseeable harm and support meeting financial objectives. MI must truly **demonstrate** you're delivering the outcomes – not just measuring inputs or transactional data.

The MI you need should be tailored to your firm's:

- Sector
- Size
- Client base
- The material influence you have on outcomes
- The extent of potential harm – for example, providing DB transfer advice versus providing execution only advice

As well as references to monitoring and MI throughout the guidance, there's also a standalone chapter. This includes a long, but helpful list of suggestions around the sorts of MI you might collect. It's well worth looking at chapter 11.33 in the Guidance.

Note that the FCA expects Boards to draw on MI when signing off their annual Compliance Reports.

Resources:

- Find out how to get the most out of Report Zone when designing your MI:
  - **ARC and One Retirement Report Zone guide**
  - **Aegon Platform Report Zone guide**
- **FCA's Final non-Handbook Guidance for firms on the Consumer Duty**

Do providers need MI from advisers to show they're hitting the correct target market?

That may be necessary at times, but we'll carefully consider what if any extra we need to avoid burdening firms with requests.

Investments

How does Aegon differentiate between complex and non-complex products?

We differentiate between complex and non-complex funds using our internal gating systems and the European MIFID template. Complex funds are restricted to advisers and can't be accessed direct by your clients.

Is Aegon able to differentiate clients on the basis of their knowledge and experience and only make available certain products to clients that meet a higher criteria?

We only make funds available which are appropriate to retail customers who have basic or informed knowledge and experience. Funds which don't meet this criterion aren't available on our platform.

If the target market for a fund currently suitable for mass market changed, how would Aegon respond?

If fund manager criteria change within the European MIFID template version, we'd review this change by exception and assess if the fund remains appropriate for sale on the platform, or if the fund should be restricted to adviser use only.

Has Aegon implemented a value assessment (or enhanced an existing assessment) for the funds and/or service offered?

Our value assessments are at product level. None of the funds on our platform are sold separately from our platform's products. We take fund availability and the internal assessment of Aegon into account in our products' value assessments.

Workplace pension schemes

Are workplace pension schemes in scope of the Consumer Duty?

Yes, they are, with one exception explained below. There are two types of workplace pension – contract-based (such as group personal pensions) and trust-based (including master trusts). The Consumer Duty relates to delivering good outcomes for retail customers. Members of contract-based pensions have always been included within 'retail customers'. The Financial Conduct Authority (FCA) also clarified that for the purposes of the Duty, beneficiaries of trust-based Defined Contribution pension schemes where there's regulated activity by an FCA regulated firm are also in scope.

In a **Quarterly Consultation**, the FCA went further to say that regulated firms offering services to Defined Benefit schemes which could materially influence outcomes are also in scope.

The only workplace schemes not in scope are those which aren't in any way served by an FCA regulated firm. This could include some single employer trust-based schemes, or some master trusts not supported by FCA regulated firms.

What are the Consumer Duty implications where an Employee Benefit Consultant (EBC) or corporate adviser is offering services to an employer or to trustees regarding a workplace pension scheme?

The FCA states that the Consumer Duty must be followed by all FCA regulated firms which can determine or have a material influence over the outcomes for retail customers. This means any regulated firm, be it provider, adviser, consultant or distributor who is involved in the design of the scheme and its default and/ or other funds, the setting of prices, consumer understanding including education or communications and/or consumer support such as helplines and complaints handling must comply with the relevant parts of the Consumer Duty rules and guidance.

There may be some firms not regulated by the FCA who offer services to employers regarding workplace pensions. There are limitations on what services such firms can offer.

But for FCA regulated firms working with employers, it would be difficult to explain these services have no impact on outcomes for beneficiaries. Here, the EBC or corporate adviser should make sure they or the firms they work with who are FCA regulated are complying with all aspects of the Consumer Duty relevant to the services they're providing. This could include setting up a new scheme, transferring to a different scheme or provider, changing the fund range or scheme-level consolidation exercises.

What about if the EBC or corporate adviser offers regulated services to members?

All such services are captured within the Consumer Duty. This applies whether services are being offered on a 1-1 basis, in groups or through mass communications. Both advised and non-advised services are covered, although the obligations for non-advised are different.

EBCs should consider their role in individual member support, the production of mass member communications and in support services such as member-level consolidation exercises.

Are employers and trustees in scope?

Neither employers nor trustees are in scope of the Consumer Duty. They aren't FCA regulated firms and they aren't classed as retail customers. (Trustees are regulated by the Pensions Regulator.) However, they may well be interested to understand what the Consumer Duty means for their employee members.

What is Aegon doing for its workplace pensions?

As a provider, we adhere to the Consumer Duty for our money purchase and personal pensions and the trust-based schemes including the Aegon Master Trust we support. This covers all four outcomes and the cross-cutting rules.

How does this link into value for money assessments from Independent Governance Committees and value for member assessments for Trustees?

Where a provider is offering a group personal pension, it must have an IGC or Governance Advisory Arrangement (GAA) which is tasked with making sure members are receiving **value for money**. Now that the Consumer Duty has come into effect, providers must use the IGC or GAA value for money assessment when carrying out their own value assessment under the Consumer Duty.

IGCs operate within an FCA framework but may have developed their own particular value for money criteria. It's likely there will be much overlap but also some differences between these and the FCA expectations within the Consumer Duty.

Master trust trustees also undertake value for member assessments and again, we expect much overlap but some differences with the Consumer Duty's approach.

The Department for Work and Pensions, the Pensions Regulator and the FCA are working on producing a consistent **Value for Money framework** to be applied across all workplace pensions, initially default arrangements. A later phase may extend this to all funds as well as to individual pensions and to decumulation. The FCA has said it sees the Framework as fully consistent with the Consumer Duty but we would note there is no direct mapping between respective criteria.

Closed products and services

The Consumer Duty came into effect on 31 July 2024 for closed products or services. Here are some areas your firm may wish to consider.

What are closed-book products and services?

A closed product or service is one which hasn't been marketed or distributed (including by renewal) on or after 31 July 2023, where there remain existing customers who took out a contract before that date.

What are the FCA's expectations?

The consumer principle, the cross-cutting rules and the four outcomes all apply to closed books as they do to open books. The FCA expects closed customer groups to be receiving fair value. When assessing the value of closed products or services all firms shouldconsider the price and value of similar, current, products but there's no requirement to reprice unless the firm does not believe closed book customers are receiving fair value.

Are Aegon's closed products compliant with the Consumer Duty?

We've published the outcomes of our value assessments for closed book products and updated our **Product oversight and governance library** with the outcome. Unlike open books, manufacturers aren't required to share the outcomes of value assessments for closed books, but advisers may want to see the outcome.

How can good outcomes for closed or legacy books be evidenced?

The FCA recognises that for closed or legacy books, there may be data gaps. Firms may not hold as much data as for newer customers, or information on vulnerabilities may not be as up to date, making it harder to evidence good outcomes. Firms need to evidence they're taking proportionate steps either to address the gaps or to proactively work around them to achieve good outcomes. If gaps can't be filled, the FCA suggests firms consider enhanced outcomes testing – or additional checks that customer groups are getting good outcomes. One example might be checking that your clients aren't encashing policies close to dates when no Market Value Adjustment applied.

How can value for money for closed book products be evidenced?

Often, closed book products have valuable features which aren't available in new products. For example, guaranteed returns or guaranteed annuity rates. But firms need to check that there aren't groups of clients who won't benefit from these special features but are paying charges for them, meaning they may not be receiving fair value.

Legacy charging structures were often more complex than those used today. That doesn't mean they're unfair, but firms need to check there aren't aspects which might lead to poor value for some customer groups, including those with characteristics of vulnerability. It's also important to make sure charges are explainable.

What are the FCA's expectations for vested rights?

A policy wording may give a firm a right to take a certain charge, such as an exit fee. While the FCA doesn't expect firms to give up vested contractual rights, where not waiving such rights, the FCA suggests firms consider other action such as greater flexibility, helping switch to alternative products or increased consumer support.

What other areas should be considered?

We've provided some areas to consider below:

Communication material – closed books' material may have been designed many years ago and may not meet today's standards. If so, proportionate improvements should be made.

Support services – closed books may not have as wide a range of support services for example online or digital. The FCA isn't expecting all service routes to be created for closed books, but firms should test their customer service approach is adequate.

Charging – One particularly key expectation from the FCA is if customers are paying higher charges in anticipation of a service, firms must make sure it's being delivered. An example of this would be charging for ongoing advice but the firm isn't providing the service this is in return for.

Vulnerabilities – Within a closed book firms are more likely to have a higher proportion of less engaged customers or gone aways. Are they paying for something they don't need or are eligible for.

To keep up to date with the latest Consumer Duty news and further resources and insights visit

aegon.co.uk/consumer-duty

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