

# DOING YOUR DUTY

A guide to using Behavioural Science to fulfil  
the requirements of the Consumer Duty



---

## INTRODUCTION

---

The Consumer Duty represents a paradigm shift in the regulation of retail financial services. Instead of regulating conduct – telling firms what they can and cannot do – the FCA will in future be regulating outcomes – making firms responsible for prioritizing the needs of consumers.

This means firms must demonstrate that what they offer to consumers is fair and appropriate. In practice, this means reviewing and testing everything from how products and services are sold, how they're communicated and marketed, through to the way in which consumers are supported throughout the life of a product.

The Consumer Duty has far-reaching implications for all parts of a financial services organisation, and different teams will typically have responsibility for addressing different parts of the Consumer Duty. This short guide is intended to help you navigate the responsibilities you have, and what you should do in response, depending on your job role.

*We hope you find it a useful starting point in your Consumer Duty journey.*

---

## CONTENTS

---

The Consumer Duty and Behavioural Science	<b>04</b>
<i>Application 1</i> Communications and Marketing	<b>06</b>
<i>Application 2</i> UX and Journey Design	<b>08</b>
<i>Application 3</i> Products and Propositions	<b>10</b>
<i>Application 4</i> Pricing and Finance	<b>12</b>
About Dectech	<b>14</b>

---

---

# The Consumer Duty and Behavioural Science

---

## What is the Consumer Duty?

Financial Services firms are full of well-meaning individuals, working hard to make life better for their customers. But those efforts are often thwarted by limitations in resources, systems, and culture. And so, despite the best efforts of regulators to constrain and influence the way in which firms conduct their business, many continue to engage in practices that are harmful to consumers. These include misleading presentation of information, products and services that fail to deliver expected benefits, offering poor value to customers, subpar customer service that hinders timely action, and other practices that take advantage of information asymmetries, consumer inertia, behavioural biases, or vulnerabilities.

In response, the Financial Conduct Authority (FCA) has developed a new set of rules, known as the Consumer Duty, which will be implemented from July 2023. The rules require firms to **act** to deliver good outcomes for retail customers and to **evidence** that they are proactively working to avoid foreseeable harms. The FCA are expecting the new Consumer Duty rules to produce four main outcomes.

### These are:

- 1 Products and services:** Financial products and services will be specifically designed to meet the needs of customers, and customers will be sold the product which best meets their needs.
- 2 Price and value:** The price of products and services will be fair to consumers.
- 3 Consumer understanding:** Communications between financial institutions and consumers will help consumers make effective, timely, and properly-informed decisions about their finances.
- 4 Consumer support:** Comprehensive consumer support will be in place to help consumers to understand financial products and services, and to act in their own best interests.

But what does that mean in practice? And what evidence should you be gathering to demonstrate that your products and services are delivering good outcomes? The answers to those questions will depend on your role within your organisation. The rest of this guide discusses which outcomes to focus on and how to achieve them, from the perspective of four functions who will be most impacted by the Consumer Duty: **Communications and Marketing** teams, **UX and Journey** designers, **Product and Proposition** managers, and **Pricing and Finance** specialists.

If you work in one of these areas, then jump straight to the relevant section of this guide. If you work in a support function such as Compliance, Customer Insight, Customer Strategy, or a Behavioural Science team then all aspects of the Consumer Duty are likely to be relevant to you, so pick and choose the sections closest to your current areas of responsibility.

## The Role of Behavioural Science

In recent years, the FCA has embedded Behavioural Science and Data Science toolkits into its policy and supervisory work, to analyse how and why consumers make financial decisions and to quantify the distribution of customer outcomes. With the Consumer Duty, the FCA is now expecting firms to deploy those same tools to meet their responsibilities to customers.

Specifically, the FCA suggests that firms incorporate behavioural science into their practices and processes in order to:

- **Understand customer behaviour:** Firms should use insights from behavioural science to understand how customers make decisions about financial products and services, including the factors that influence their choices.
- **Improve product design:** Firms should use insights from behavioural science to design products and services that are more intuitive and easier to understand for customers.
- **Communicate more effectively:** Firms should use insights from behavioural science to communicate more effectively with customers, including using clear and simple language, avoiding complex jargon, and presenting information in a way that is easy to understand.
- **Encourage better customer outcomes:** Firms should use insights from behavioural science to encourage customers to make better financial decisions, such as by providing prompts or reminders to take action or by incentivizing positive behaviours.

Overall, the FCA believes that the use of behavioural science can help financial services firms to better meet the needs of their customers and can contribute to a fairer and more transparent financial system.

As one of the world's longest established behavioural science consultancies, with more than two decades of experience advising and supporting some of the world's leading financial services firms, Dectech are well placed to help you meet your Consumer Duty responsibilities. Each section of this guide contains a brief case study of our work, and you can read more about us and our behavioural science expertise at the end of the guide.



Photo: Andrea Piacquadio / Pexels.com

## Application 1

# Communications and Marketing

### Which Consumer Duty Outcomes are Most Relevant?

Products and Services

Price and Value

**Consumer Understanding**

Consumer Support

### What Do You Need to Demonstrate?

Communications with consumers need to be clear and easy to understand. Crucially, they must provide the information customers require to enable them to make effective and timely decisions. You need to demonstrate this across all consumer touchpoints, covering sales and marketing content as well as servicing comms to customers. In addition, you need to demonstrate this across channels such as web pages, apps and call centres as well as the likes of letters, emails and SMSs. Given the high volume of comms, it is likely that you'll need to first **review your comms and journeys** to identify those where a misunderstanding would carry the greatest risk of harm to customers. Those comms should be prioritised for testing and for monitoring of customer outcomes.

The FCA are clear that the gap between what customers say they can understand and what they can actually understand means that you can't simply ask customers for a subjective opinion of your comms and marketing material. Instead, you need to **demonstrate objective understanding** and have in place a process to ensure that comms which are difficult to understand are revised and improved.

### How We Can Help You



**Comms Testing:** Evaluate the current standard of your existing comms, establish appropriate quality thresholds, and identify where improvements should be made.



**Comms Audits:** Expert reviews to identify where comms content or design may risk exploiting consumers behavioural biases and provide guidance for how the comms can be improved.



**Comms Optimisation:** Test different versions of critical comms in a randomised controlled trial in order to develop a comm that is better understood and has good outcomes.

---

## Case Study: Communications Testing

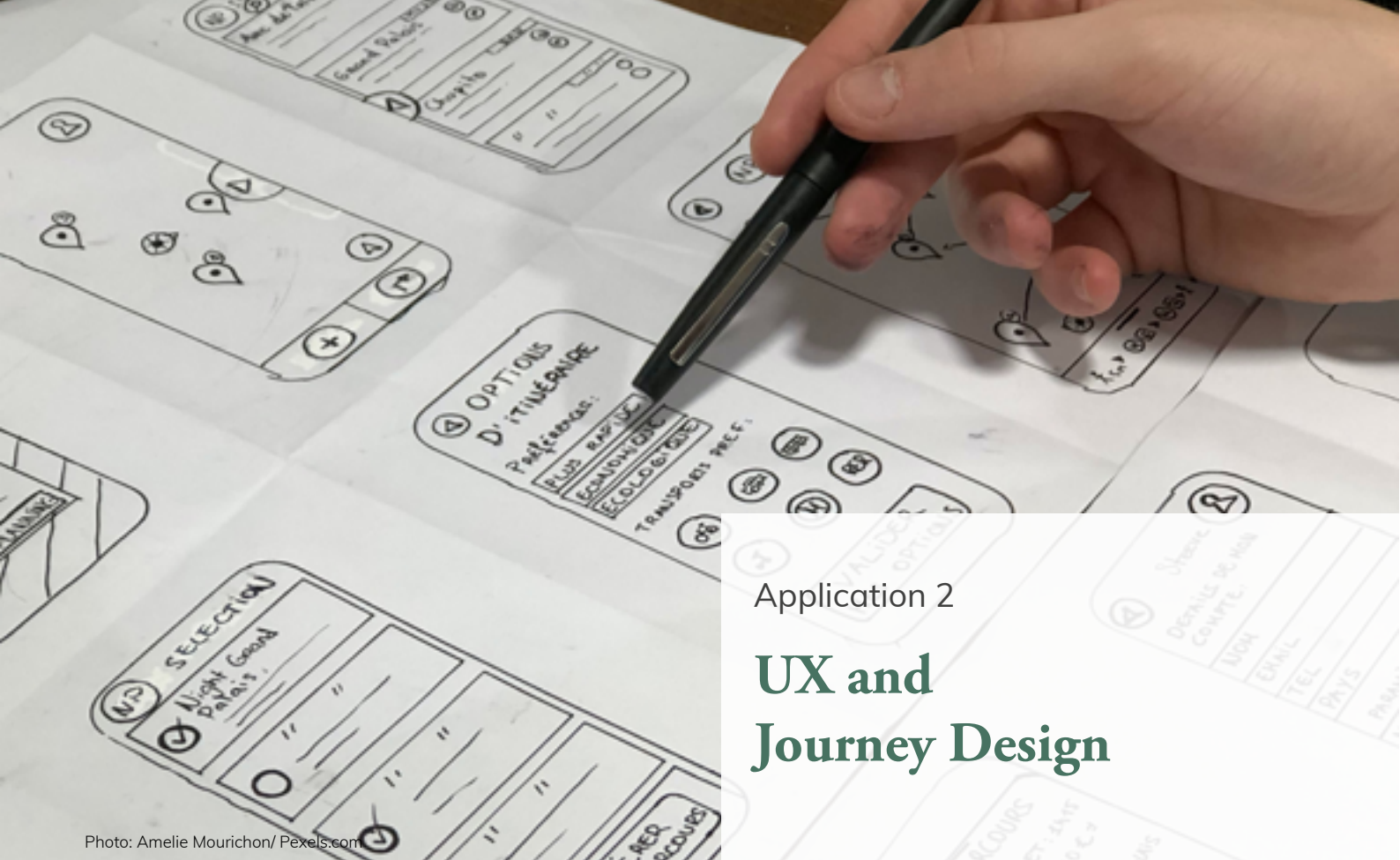
A leading high-street bank asked us to help them put in place a comprehensive comms testing framework to meet the requirements of the Consumer Understanding outcome of the Consumer Duty. They wanted to develop a test based on the latest behavioural science which can measure objective understanding of the comms, and to cover all kinds of comms from letters, emails and SMSs, through to web journeys, apps, and chatbots.

We developed an online comms test that could evaluate consumer understanding plus provide meaningful diagnostics to help comms writers improve any that were not sufficiently well understood. The test is consistent and scalable, meaning that our client can evidence improvement in consumer understanding over time, and can set thresholds on acceptable comms quality that can be periodically reviewed or benchmarked against competitor comms.

Our client was able to put in place a testing process able to accommodate the testing of all of their comms in a cost-effective and rapid way. They were able to evaluate and improve all of their priority comms ahead of the FCA's deadline and will continue to test and improve comms going

“  
**Communication materials must provide the information customers require to enable them to make effective and timely decisions.**

”



## Application 2

# UX and Journey Design

Photo: Amelie Mourichon/ Pexels.com

### Which Consumer Duty Outcomes are Most Relevant?

Products and Services

Price and Value

Consumer Understanding

Consumer Support

### What Do You Need to Demonstrate?

Customer journeys need to be designed taking account of the user's perspective and interests. UX and journey design can no longer just be about removing frictions. You must also consider the impact on consumers' decisions and outcomes. You will need to **revise any process or content that exploits behavioural biases** and instead be able to demonstrate how customer journeys enable consumers to make informed and timely decisions. You also need to ensure that support and help is available throughout the journey, including for customers that may be in vulnerable circumstances, and that customers know how to access that support if they need it.

In particular you need to **identify and remove "sludge"** (frictions that inhibit customers from achieving their goals) and **"bad nudges"** (choice architecture that makes it easy for the customer to make a poor decision). Content across all parts of the customer journey needs to be written and presented in a way that facilitates consumer understanding and positive consumer outcomes.

### How We Can Help You



**Journey Audits:** Expert reviews to identify where sludge and bad nudges occur throughout your customer journeys and provide guidance for how they can be improved.



**Content Testing:** Evaluate the current standard of your journey content, establish appropriate quality thresholds, and identify where improvements should be made.



**Journey Experiments:** Run simulated experiments or A/B tests to quantify the impact of changes to the choice architecture upon consumer decisions and outcomes.



---

## Case Study: Journey Audits

A leading high-street bank asked us to help them to evaluate their customer journeys to identify where behavioural biases may be (inadvertently) exploited. These journeys included an array of consumer touchpoints and content from webpages through to financial product terms and conditions.

Applying a behavioural science-inspired framework to some priority journeys, our team meticulously reviewed all the material. We identified and catalogued instances of bad practice (where behavioural biases may be exploited to cause harm to customers), and proposed customer-centric alternatives. Each step of the process was carefully documented to provide an audit trail to evidence the issues and actions taken.

The first of many such reviews, this work has helped our client begin the process of updating their customer journeys to directly address the requirements of the Consumer Duty.

“  
**Customer journeys need to be designed to enable consumers to make informed and timely decisions.**

”





Photo: Pixabay/ Pexels.com

## Application 3

# Products and Propositions

### Which Consumer Duty Outcomes are Most Relevant?

Products and Services

Price and Value

Consumer Understanding

Consumer Support

### What Do You Need to Demonstrate?

Products and services provided by financial services firms need to be suitable for the customers using them. This means products and services should only include features that are relevant to the customer in question. You need to **demonstrate that customers are being sold appropriate products and services** and that these do not include superfluous features that incur additional costs for the customer. You also need to check that customers understand how the product is intended to be used, and who it is suitable for. Where more than one option is available to customers, you should ensure that customers can correctly identify the best choice for their situation and needs.

Furthermore, you need to ensure that customers are adequately supported, both when choosing a product and during the time they have the product. **Additional help should be available for complex products**, and information should be available in a range of formats and be consistent across channels. This should include considering any special requirements that customers in vulnerable circumstances might have.

### How We Can Help You



#### Customer Needs Mapping:

Identify the needs of different types of customers to aid the development of products and services aligned to their needs and budgets.



#### Product Suitability Testing:

Ensure that customers can appropriately match products to needs, and that product disclosures are clear and easy to understand.



#### Purchase Journey Evaluation:

Test customer decisions in a simulated version of your purchase journey to check customers select the most appropriate product.

---

## Case Study: Product Suitability Testing

A large UK banking group asked us to review their packaged current accounts to ensure those that they offered matched the differing needs of their broad customer base. In particular, they were interested in ensuring that their paid-for current accounts included the features and benefits that most appealed to their intended customers.

We conducted an online randomised controlled trial experiment in which different sets of current accounts were presented to those interested in switching their current account to see which they would choose, in a realistic replica of the online account sign-up journey. Outcomes captured included current account choice and perceptions of how clearly the accounts and pricing were communicated, how competitive the pricing was, and how well they suited the customer's needs.

The testing enabled our client to revamp their packaged current account offering to ensure the needs of the broadest set of potential customers could be met, and to ensure that each product was selected by the customers most likely to need the features and functionality it provided.

“  
**Products and services provided by financial services firms need to be suitable for the customers using them.**  
”





## Application 4

# Pricing and Finance

Photo: Pixabay/ Pexels.com

### Which Consumer Duty Outcomes are Most Relevant?

Products and Services

Price and Value

Consumer Understanding

Consumer Support

### What Do You Need to Demonstrate?

The pricing of your products and services needs to represent fair value for customers. This means your pricing needs to take account of what you are specifically providing your customers (the product features and benefits), and those customers' financial situation. Relatedly, you also need to **demonstrate that customers are not being sold products and services with superfluous features** that incur additional unnecessary costs. So, it wouldn't be sufficient to just compare your costs to your pricing and demonstrate you aren't making an excessive return, you also need to understand how those prices impact your customers and whether they feel they get value for money from their products and services.

Pricing in financial services can often be complex, with multi-part pricing and conditional fees. You need to demonstrate that customers can understand the pricing, and how the price might vary depending on how they use the product. Furthermore, you need to **ensure that your pricing does not penalise customers** who find themselves in financial difficulty, and that some groups of customers are not subsidising other groups.

### How We Can Help You



#### Price Comparison Testing:

Evaluate the pricing of your products and services in a competitive context from a customer's perspective and ensure you're offering fair value.



#### Price Understanding Testing:

Robustly check that customers objectively understand your pricing and that prices aren't framed in a misleading way.



#### Customer Needs Analysis:

Identify the needs of different types of customers to aid the pricing of products and services and identify superfluous product features.

---

## Case Study: Price Comparison Testing

A leading insurance provider wanted to introduce a new online-only brand for the price comparison website (PCW) market. They asked us to ensure that their offering represented value for money for what it offered and could compete with competitor brands.

With an online PCW experiment, we ran research to understand what attributes, branding, and framing could drive click-throughs, and what customer preferences for features and up-selling were. In particular, we were able to identify which insurance policy features offered the best value for customers of a no-frills product and a more premium alternative, and hence were both suitable and appropriately priced for those two customer groups.

The results provided insights into the best way to position and price the new online-only brand in the PCW market, and what features would offer value to customers. With this information, our client refined their proposition to develop a successful online-only brand to compete in the PCW space.

“  
**The pricing of your products and services needs to represent fair value for customers.**  
”



# About Dectech

Founded in 2002, we are one of the world's longest-established behavioural science consultancies, specialising in helping businesses understand and manage consumer decision-making.

We have a proven track record in financial services, working with some of the biggest names in the industry, shown below. We are experienced working with, for and in response to regulators, including the FCA and the European Commission.



We use behavioural research to address our clients' problems, including our award-winning Behaviourlab approach. We offer a range of off-the-shelf and bespoke solutions depending on our clients' specific needs and resources.

If you would like advice or assistance with any aspect of your work on the Consumer Duty please get in touch via [consumerduty@dectech.co.uk](mailto:consumerduty@dectech.co.uk).



## CONTACT US

**Dectech**  
145 City Rd  
Hoxton  
London  
EC1V 1AZ

**Email:** [consumerduty@dectech.co.uk](mailto:consumerduty@dectech.co.uk)

**Telephone:** +44 (0)207193 9812

**Website:** [www.dectech.co.uk](http://www.dectech.co.uk)

Follow us



