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# Consumer Duty

How Bud can help

# Why transaction intelligence is key to Consumer Duty compliance

It's all hands on deck right now as regulated financial institutions scramble to comply with new Consumer Duty legislation. With only a short window to comply, decisive actions must happen quickly. Having said that, rash decisions or inaccuracies in your approach could spell disaster.

Compliance plans ruled by cost (as has happened traditionally) have been shown to be problematic time and time again. It's proven that institutions that put revenue over customer experience tend to lose out – just remember the [Wells Fargo scandal](#) in 2016.

Instead, financial institutions that are truly customer-centric have tended to see higher satisfaction rates from consumers. Some could argue that Consumer Duty regulations have been developed in direct response to this pattern.

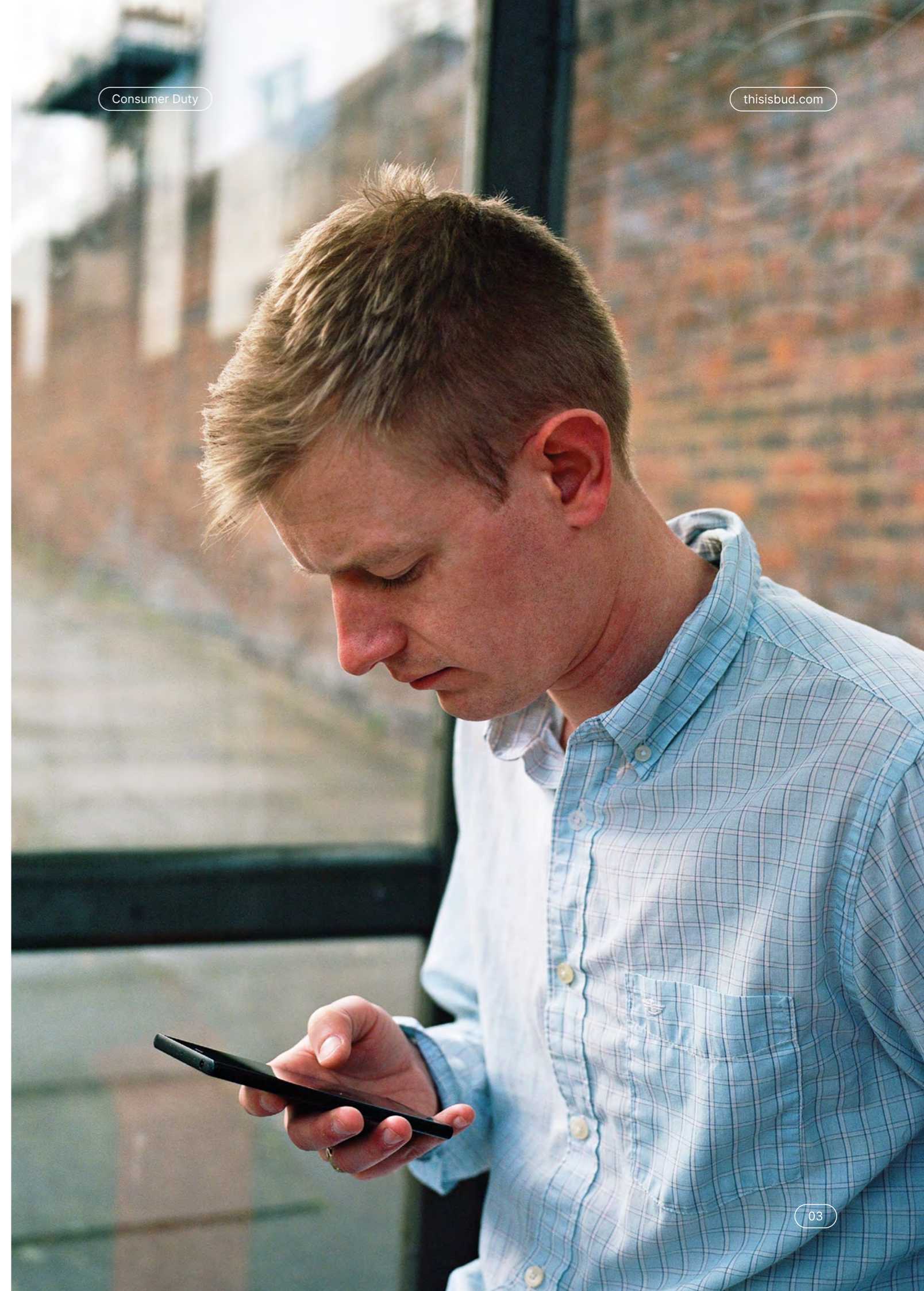
Are you a business that *claims* to put customers first? Now, the Financial Conduct Authority (FCA) wants you to put your money where your mouth is.

In this piece, we'll explore the key areas of the Consumer Duty regulation and how your financial institution can use open banking and transaction AI to meet some of the compliance obligations.

If you're already sold on transforming the customer experience, **Bud can help**. We provide data intelligence solutions, turning transactional data into rich customer insights.

This can help you to prove you're putting the customer first, as part of your Consumer Duty compliance programme.

[Get in touch.](#)



## What is the new Consumer Duty?

Consumer Duty is the FCA's new standard of customer care in financial services. It aims to support consumers by giving them the right details to make informed financial decisions, and protect customers against the mis-selling of financial products.

A second aim of Consumer Duty is to increase the levels of competition in the industry. This should lead to better deals.

Historically, people just don't switch banks in the UK. For example, [35% of us haven't changed our current account provider in more than 20 years](#). But [switching is on the rise](#), and those that can compete on a customer experience level, rather than just on rates, are more likely to win over new customers.

Bud's VP of Risk and Compliance, Nikhil Lavanian, summarises the positive change that Consumer Duty is expected to bring:

"The new Consumer Duty regulations have made great strides towards making sure products and services are fit for purpose for the average consumer, delivering real value to every consumer and generally aiming to put consumers in a much better position financially by driving good outcomes for them."

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**- Nikhil Lavanian,**  
Bud's VP of Risk & Compliance

## Key takeaways for financial institutions

The final publication for Consumer Duty sees the aims, scope and timeline for compliance all outlined. Although your firm might have made progress towards compliance already, [the FCA has found that some preliminary plans are 'superficial', or 'overconfident in their current policies'.](#)

Therefore, it's important to go further in not only preventing consumer harm, but also elevating the customer experience.



### Consumer Duty scope

There are four 'good outcomes' that firms must measure and focus on:

1. **Products and services**  
The terms match target consumers' needs and the products and services are fit for purpose.
2. **Price and value**  
Products and services should be priced fairly, without excessively high fees.
3. **Consumer understanding**  
Timely, clear information is made available and consumers are equipped to make good decisions.
4. **Consumer support**  
Customer service should be responsive and helpful, from the beginning to the end of the customer relationship.

## What is the timeline for Consumer Duty?

As the final rules have now been published, firms have until 31 July 2023 to comply with phase 1 of the FCA's Consumer Duty. This applies to all existing products or services.

Organisations will be given until 31 July 2024 to apply the new rules to closed products or services.

## How to comply with Consumer Duty using open finance

By working with an outcome-based framework, firms will be required to assess the extent to which they provide good customer outcomes, and establish a strategy to improve on their weaknesses.

For risk and compliance professionals such as Bud's Nikhil Lavanian, it's clear that tech and customer experience go hand-in-hand when it comes to meeting Consumer Duty obligations.

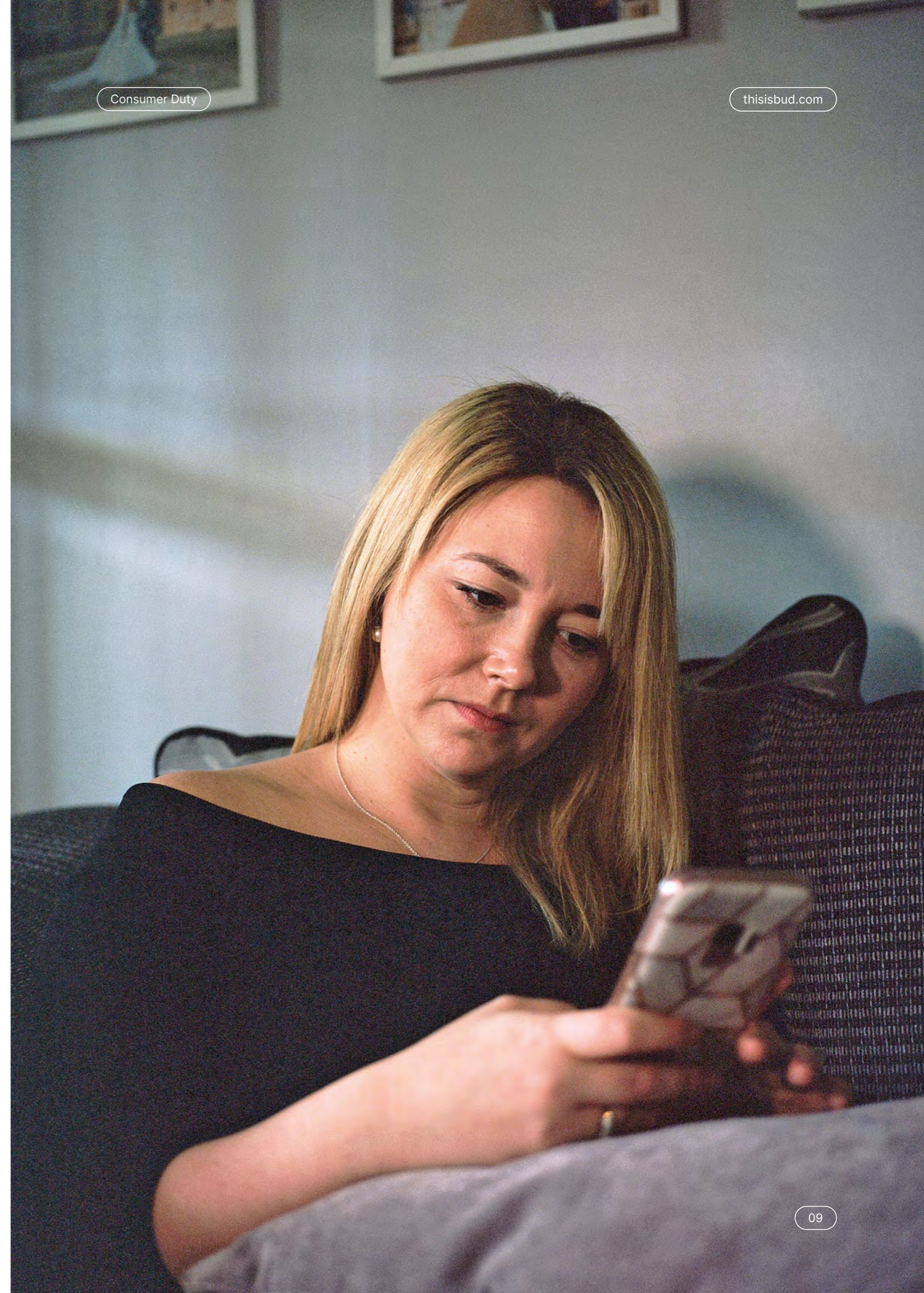
"Two of the key consumer outcomes for Consumer Duty are 'consumer understanding' and 'products and services'.

"Businesses need to lean on industry-leading tech solutions in order to make sure that customers have the right information at the right time, and that the products and services are fit for purpose to the target consumer.

"The right technology can drastically improve a consumer's financial wellbeing and create good consumer outcomes."

Here are three ideas that will both improve the customer experience and help your institution comply with the new Consumer Duty:

1. **Use transactional data to understand customers**
2. **Offer better financial management tools to customers**
3. **Personalise your product matching, cross-sells and up-sells**



## Use transactional data to understand customers

Imagine being able to proactively reach out and offer a well-suited loan without your customer having to complete a lengthy application process.

This is completely possible, and has already been put in place by forward-thinking institutions who are using transactional data to power credit eligibility decisions.

[Bud's client Moneyboat](#) has been using transactional data to grow and serve its customer base in a responsible way.

"Open banking allows us to consider our customers' welfare and affordability at a more sophisticated level and this is something that we are proud to be able to offer as an award-winning responsible lender," said the Moneyboat team.

Against the background of the Covid-19 pandemic and an anticipated increase in credit defaults, MoneyBoat realised that CRA data alone would fail to identify income shocks and furloughed employees.

It was battling with long application processing times through manual review of PDF bank statements.

By selecting [Bud's real-time affordability solution](#), Moneyboat decreased application processing time by 16% as well as missed payments by 20%.

**Using Bud's transactional AI in this way can help clients meet their Consumer Duty obligations because they can demonstrate why they have made a particular product offer with greater confidence.**

Of course, in Moneyboat's case, the first hurdle was establishing how they could move beyond their existing bureau data-only approach. Fortunately, [Bud's 'plug and play' Assess API solution](#) meant that the team could access market-leading transactional AI without lengthy or costly development work.

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## Offer better financial management tools to customers

One of the four retail customer outcomes in Consumer Duty regulation is proving that you can meet diverse needs. This also means building better protection for vulnerable customers from schemes and scams. But for big banks, it can seem like there's just too much information, on too many customers, to provide real personalisation.

In particular, when it's impossible to make sense of customer data (because, for example, transaction categorisation is not detailed enough) then individuals with very different circumstances can find themselves lumped together into a customer segment that is too broad. An inadvertent outcome of this can be products and services that aren't right for an individual.

Quite rightly, the FCA wants banks to really show consumer understanding and directly meet different needs. To do this, personalisation at scale should be part of your implementation plan.

Deep personalisation can seem complicated, so banks may be hesitant to implement it.

Bud's Product Manager, Thomas Purton, has seen the problems associated with poor data personalisation first hand: "At a fundamental level, if the data isn't accurate, then it's going to be problematic," he says. "You can't help a customer by, for example, alerting them to a forecasted problem with their day-to-day finances, if you don't have solid data and decisioning to underpin the feature."

But committing to personalisation at scale can grow revenue through improved engagement, conversion and retention while at the same time helping meet Consumer Duty outcomes.



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**- Thomas Purton,  
Bud's Product Manager**

## Personalise your product matching, cross-sells and up-sells

Financial promotions continue to be a challenging area for financial institutions. Customers may feel pressured into buying products they don't need and end up wasting their money.

On the other hand, financial services firms that fail to capitalise on well-matched product cross-sells are leaving revenue on the table.

The new Consumer Duty asks institutions to provide a strong rationale for the offers they make to customers.

Using open banking and transaction AI capabilities, like those provided by Bud's [Engage](#) and [Assess](#) products, means you can gain insights beyond the usual standard and protect customers from the foreseeable harm associated with mis-selling.

Thomas notes: "We start with core enrichment, which categorises transactions and identifies entities in transactions like merchants. Then we layer on our 'finders', which give you useful information about the customer, such as different types of income, other financial products they have and subscriptions. Those are really great building blocks and rich data insights that help you to really understand individual customers and aspects of their financial life."

Using data to recommend products proves that your customers are eligible for what you're offering.

Moreover, using data intelligence as part of your Consumer Duty implementation works across a range of use cases. So whether you're building [personalised money management tools](#) or [improving a lending journey](#), your customer will welcome the contact instead of feeling annoyed by spam.

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# Bud's data AI platform can help you comply with Consumer Duty

Prepare for the new Consumer Duty by putting customers at the heart of your business with open banking. With the ability to build useful financial management tools, accurate product recommendations and personalisation at scale, Bud can help you transform unwieldy data into business intelligence.

[Learn more](#)