Spotlight: Consumer communications

The approach to whether an institution or intermediary should be responsible for consumer communications varies across sectors and institutions.

We do not intend to be prescriptive about this, but we consider that the roles of each party should be clearly identified and documented.

We note that section 446J(1)(j) separately requires an FCP to cover communicating with consumers about the institution's products and services in a timely, clear, concise, and effective manner. Our view is that an institution can do this directly itself, or by having arrangements in place for intermediaries to do this, or a combination.

Examples

Consumer communications

- An insurer does not have any direct contact with consumers. It puts agreements and processes in place with the insurance advisers distributing its products, to ensure the advisers communicate all relevant information to their clients, including regular communications to encourage clients to review their cover and products, and information about the insurer where required.
- A NBDT that distributes certain products through non-FAP intermediaries chooses to take responsibility for all post-sale consumer communications.
- A bank takes a joint approach to communications with mortgage advisers distributing its products. The bank directly notifies consumers of changes to interest rates and other product changes. The mortgage advisers supplement this with their own communications to the client, e.g. contacting the client to offer a product review for key events such as the end of a fixed-term interest rate.
- A bank provides training for new intermediaries on communications and mandatory pre-sale disclosures that need to be made to consumers in relation to particular investment products. The intermediaries must complete this training before being approved to distribute those products.
- An insurer undertakes a review of its existing communication strategy and identifies a lack of communication by the insurer and intermediaries with consumers holding certain legacy products.[3] The insurer puts in place new processes to satisfy itself that these consumers are receiving relevant information about their policies.

Determining how distribution arrangements will be managed

Financial institutions should consider addressing how arrangements with intermediaries that distribute products and services will be managed. For example, the financial institution could formalise these arrangements through written distribution agreements with intermediaries.

[3] By legacy products we mean products that are no longer offered to new customers but continue for customers who already hold them as noted in the 2019 Life Insurer Conduct and Culture review.