

Consumer Protection in 2023



Background

The last 12 months have brought a wide range of economic changes including rising energy prices, interest rates and inflation which have altered the landscape for both consumers and firms. These changes require firms to be agile and efficient in order to adapt to current and emerging risks.

The Consumer Protection Outlook Report 2023, released by the Central Bank of Ireland (“CBI”), presents the trends and the outlook for consumer protection in 2023. The Report details the main drivers of consumer risk facing firms, which remain unchanged from 2022, but have been elevated to account for the economic changes that firms are facing in 2023. The risk drivers detailed in the Report are:

- Poor business practices and weak business processes;
- Ineffective disclosures to consumers;
- The changing operational landscape;
- Technology-driven risks to consumer protection; and
- The impact of shifting business models.

In embedding the key drivers of consumer risk, the CBI requires firms to take sustained concrete action in the above areas in order to ensure consumers are supported throughout the product / service lifecycle.

Key Themes of Consumer Risk

The CBI expects firms to go beyond legal consumer protection obligations and take a proactive and thorough approach to safeguarding the interests of consumers. The following are the five key themes in consumer protection which firms must consider:



Governance and Oversight

The CBI has emphasised the importance of a customer focus being present in every phase of the product lifecycle and at every level of the organisational structure. Firms must ensure that their internal processes and controls are effectively **preventing, identifying and mitigating customer detriment**. Ongoing monitoring and assessment of products and end-to-end customer journeys is essential in ensuring that good customer outcomes are achieved. Firms must put robust compliance and risk management measures in place and equip themselves with **robust governance and oversight** to support this.

Delegation and outsourcing arrangements are accompanied by a number of risks which firms must take into account and manage effectively. Firms must be able to prove that they have an **effective third-party management process** to proactively identify and manage these risks.

Firm Considerations

- Does your firm have a product oversight and governance approach for monitoring products from design to delivery to mitigate risks and proactively identify errors?
- Fair customer treatment should be embedded into all aspects of firm activity and Board and Senior Management Teams should be receiving regular reports / updates. Can you demonstrate an adequate level of reporting to evidence the appropriateness of products and services, customer service or overall value offered to the consumer?
- Do you adequately monitor and oversee outsourcing arrangements, with Key Performance Indicators (“KPIs”) in place and appropriate action taken if required?

How Can KPMG Help?

KPMG has developed a bespoke **Product Assurance Methodology** that equips firms with effective tools and techniques to manage their product portfolio and conform to the continually changing expectations for Product Governance and client protection. Our detailed risk assessment framework, which combines **quantitative data with qualitative KPIs**, is specifically designed to assist in the management and oversight of consumer protection risk. We have a team of experts with experience in advising clients on the operational risks that arise as a result of dependencies on third parties and the use of technology.



Transparency

Firms are responsible for enabling consumers to make fully informed decisions by providing **clear and timely product information**. Consumers should be supported, especially where products are sold and serviced online, and information should be displayed appropriately **depending on the medium**, ensuring that the risks associated with the product are correctly defined.

Firms must also consider the increasing global focus on **sustainability** by providing transparent disclosures to consumers and avoiding “greenwashing” - the deceptive practice of presenting products as more environmentally friendly than they are.

Firm Considerations

- Do you provide clear information in a timely manner to your consumers, taking into consideration any actual / potential vulnerabilities?
- Are your customer disclosures appropriate for all channels?
- Are you appropriately documenting the environmental impact of your products or services?

How Can KPMG Help?

Our team assists financial services firms with the **review and assessment of customer communications** and information. We can help you to perform an end-to-end customer journey assessment, identifying points of contact with your customers and implementing appropriate updates where required. We have a dedicated **cross-functional Sustainable Futures team** of experts who help clients plan and execute programmes addressing ESG topics, decarbonisation, and long-term value creation.



Suitability

Products designed for consumers should meet their requirements by having terms and conditions and features that are suitable to meet their needs. This includes ensuring that the product is accessible, easy to use, and **meets the needs and expectations of the target market**.

Firms must conduct thorough assessments of consumer needs and preferences, providing clear and accurate information about the features and benefits of their products or services, and taking steps to address any issues or complaints raised by consumers regarding suitability. Firms are responsible for ensuring that consumer **disclosures and statements of suitability comply with legislation**. Insufficient consideration of suitability by firms can result in negative outcomes for consumers.

Firm Considerations

- Does your suitability statement meet regulatory requirements?
- Do you have effective controls in place to ensure that suitability requirements are considered for each customer?
- Do you have management information (“MI”) to report on your firm’s adherence to suitability requirements?

How Can KPMG Help?

KPMG provide **risk and regulatory advice, proposition design, and operational risk and control optimisation services** across the financial services sector. We understand how consumer centric firms will look in the future. We provide **guidance on regulatory expectations** and industry best practice in relation to suitability.





Digitalisation

Firms must ensure that their digitalisation efforts are focused on **enhancing the consumer experience**, as well as promoting greater transparency and accountability. This may involve providing accessible and easy-to-understand information about the use of personal data and taking steps to address any issues or concerns raised by consumers related to digitalisation.

Firms must consider the **potential impact on vulnerable customers** when introducing new products or services, identifying and mitigating possible pain points throughout the digital customer journey. The technology used to interact with consumers must be accessible and inclusive, considering the diverse needs and abilities of different consumer groups. While the use of technology in the sales process benefits some customers by increasing efficiency and reducing costs for firms, it's essential to consider those who require in-person interaction and **establish appropriate processes to meet their needs**. Support and assistance should be provided to any digitally disadvantaged consumers.

Firm Considerations

- Does your end-to-end customer journey appropriately utilise digital channels and do you have an appropriate complaints management process in place for customers to raise concerns?
- Do you consider the impact that changes to your business model may have on your entire customer base, including vulnerable customers?

How Can KPMG Help?

We have extensive experience in assessing processes and sales channels and the associated risks. We can help review your **Risk Assessment Framework**, with a focus on digitalisation, and the impact this has on your customer base. We will also develop **treatment policies for all categories of vulnerability** to ensure that the needs of all customers are met.



Macro-Economic Environment

There have been several changes in the macro-economic environment since the publication of the CBI's 2022 Report. These include the war in Ukraine, the increased cost of living, post pandemic recovery and rising interest rates. These changes have had an **impact to the overall landscape for consumers** as well as for businesses and decision makers.

In a changing economic environment, firms must ensure that their **current processes do not create new risks to consumers and that the consumers'** and that the needs and interests of the consumer are at the forefront of every decision. With these economic changes, **customer vulnerability** is likely to increase, making it ever more important that firms have appropriate supports in place. This will involve firms proactively assessing the impact of commercial decisions on consumers and developing action plans to mitigate any risks.

Firm Considerations

- Do you regularly review your products, services and processes to ensure that they continue to meet the needs of customers?
- Do you provide the necessary assistance to vulnerable customers to ensure that they are not excluded from financial services?

How Can KPMG Help?

A **Conduct Risk Framework** ensures that risks are managed and controlled to avoid poor customer outcomes and weak market stability. We can help you with the design, implementation and review of your Conduct Risk Framework to ensure that the macro-economic environment has been appropriately considered.



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