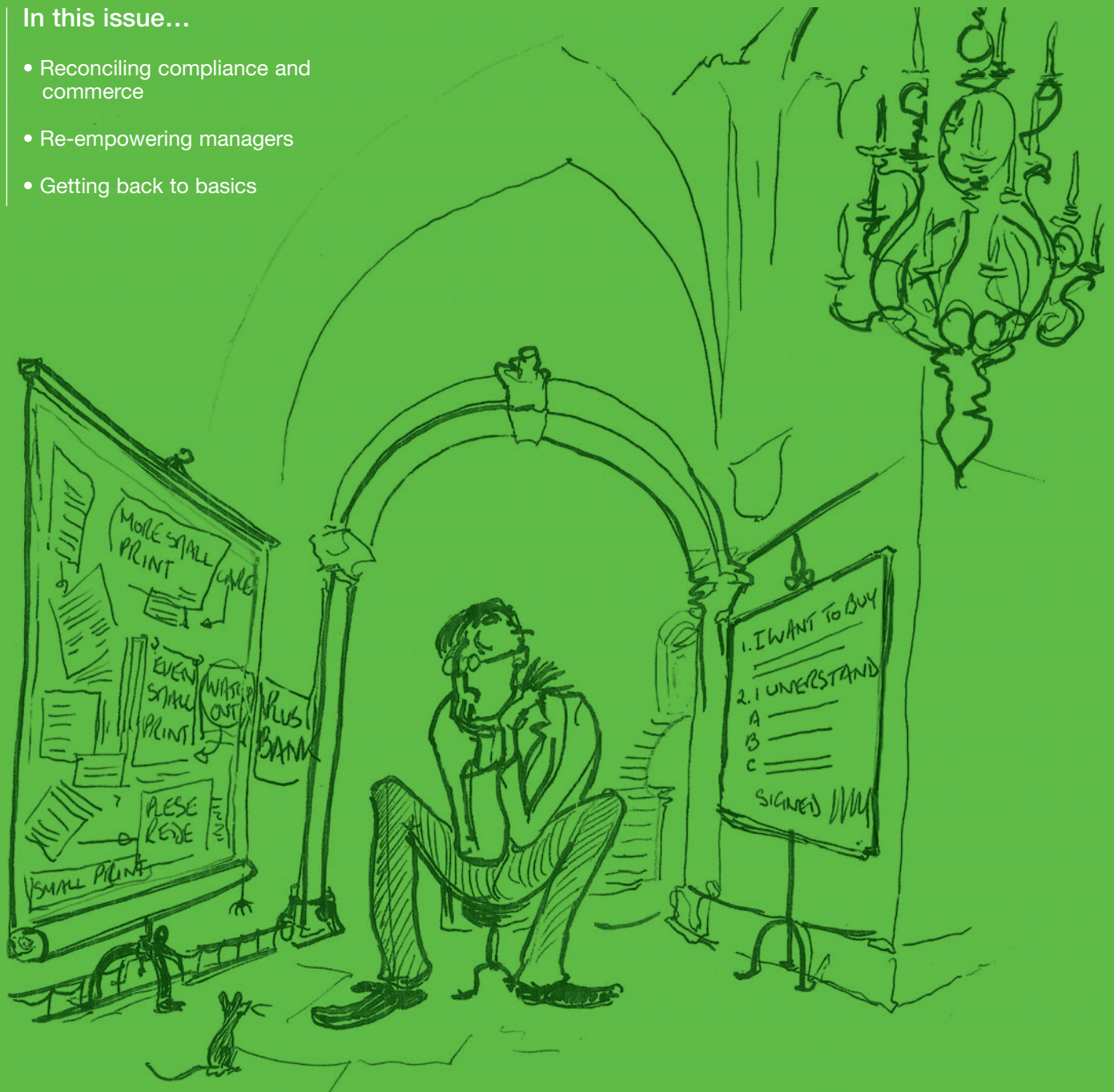


In this issue...

- Reconciling compliance and commerce
- Re-empowering managers
- Getting back to basics



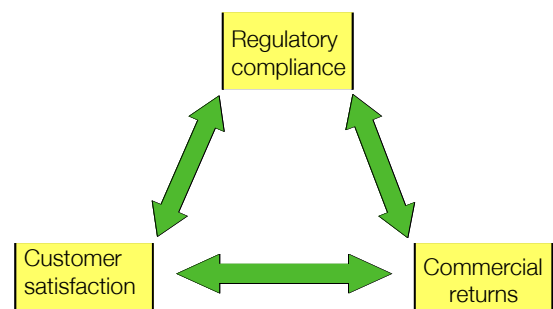
Can good compliance be good for business?

Can good compliance be good for business? Yes, but only if you go back to basics. Regulation by prescription is giving way to regulation by principle. We explore how to satisfy the law's new sense, meet customer's sensibilities - and make a profit, too.

Regulation has dominated boardroom agendas and corridor conversations for several years now. More so since the introduction of specific mortgage and insurance regulations.

We've contributed much to the debate in earlier *Insights*. We've looked at how to choreograph customer experience without offending guidelines, how to 'circuit-test' procedural wiring, and how to deliver non-advice without sacrificing cross-sales.

We've also been building experience in the field with clients. Gradually, the outline of a new approach to regulation has been emerging. This will help to reconcile the apparently conflicting needs of compliance, customer satisfaction and business results.



“Moving control back to the line makes people feel much more confident.”



Twin-track solution

Two changes are helpful in turning what has been seen as a millstone into an asset: re-empowering line managers and getting back to basics.

RE-EMPOWERING LINE MANAGERS

Changes in operational habits have been largely driven by compliance departments and lawyers. So sales teams feel under pressure on three fronts. Compliance staff berate them for technicalities. Customers berate them for complicating a simple financial shopping trip. Senior managers berate them for selling less.

Put line managers back in charge of defining the new habits and it becomes possible to win over all three groups.

Indeed, a number of our clients are already doing just that and the results are extremely promising.

As Martin Stewart, former Retail Director at Yorkshire Building Society, puts it:

“Moving control back to the line makes people feel much more confident. The blindfolds come off and the ability to convert enquiries into sales starts heading back up to pre-regulation levels.”

GETTING BACK TO BASICS

The political drive for regulation came from a desire to protect consumers and investors, a few City scandals, declining investment returns and a perception that financial service businesses were not playing fair.

The underlying rationale is tough to challenge. So the regulations themselves are understandable. Who can object to transparency, honesty and treating customers fairly? The trouble is that the goals have been buried in caveats and procedural convolutions.

The FSA has expressed its concern that *“some firms have taken the key facts document and thrown the kitchen sink into it when that is not required by the rules”*. “Being clear” has become “Get his signature on a form to say he didn't want advice”. And “Keep staff skills up to scratch” has become “Observe each staff member every three months and tick a box to say you've done it”. No wonder customers feel more bewildered

- and less trusting - than they did to start with.

At the same time, the FSA's principles-based approach means the Authority is unwilling to prescribe forms of words, or clarify what's acceptable, or approve documentation in advance. The results on all sides: confusion, nervousness and irritation. Though current operational habits may meet the letter of the regulatory law, they've often lost sight of its spirit.

Getting back to basics opens a new way through the frustrations. Do it, and there's money and time to be saved - £400 and 2-3 hours per sale, according to one organisation's estimate. Do it first, and there's competitive advantage to be built.

“Getting back to basics opens a new way through the frustrations”



Practical examples

Consider an extract from a notice about card repayment insurance. The notice, which demands a signature, fills a page with very small type:

You have not received advice or a recommendation from us. You have chosen to consider.... You have advised that you have taken into account.... We would like to draw your attention to the exclusions and conditions.... You should read these carefully in line with your own circumstances to ensure that you fully understand.... Details can be found in... (a separate) document.

Compare that self-protecting sequence with the version on the right from another provider. It fills half a page - and the type is the same size as this:

I confirm... I understand the policy will cover repayments if: I... have an accident or become ill; I lose my job... It will not cover: disability from a pre-existing condition; voluntary unemployment...

Do customers prefer the second version? Surveys confirm it. Is it honest and fair? Clearly, that's the aim. Is it orthodox? Clearly not. So do regulators object? No. Indeed, John Tiner, Chief Executive of the FSA, has declared firmly that he wants to see documentation that is “clear and brief”.

During 2006, we will distil our approach into further publications. We'll also keep translating FSA principles into practical documents, procedures and scripts. We plan to look in detail at the five major stages of a sale: fact-finding; reviewing the options; picking the best solution; disclosing the terms; and closing the deal.

The context for all the analyses will be the triangle of forces (shown opposite). Our aim will be to clarify - for readers and clients, and in each line of business - the 'sweet spot' in the centre, where all three needs can be met with least effort and most reward.

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About us...



Setanta Performance is an international consulting firm that helps service organisations change and grow successfully. We use innovative, collaborative methods that help integrate people, technology and processes to produce measurable improvement in business results. Current clients include Bradford & Bingley, Department of Work & Pensions, Nationwide and Post Office. Issues where we have made major contributions include:

- Implementing compliant sales and service activities
- Advice vs Non Advice - how to make the most of all the options
- Implementing cost effective Training and Competency Schemes
- Designing sales processes
- Improving customer experiences
- Improving operational efficiency and effectiveness

Authors



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