

# Product supplier responsibility

By  Richard Rattue

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One of the more potentially contentious issues contained within the 'fair customer treatment/RDR' review has been that of product supplier responsibility...

To understand the background it is necessary to look at the larger picture, specifically the movement towards fair treatment of clients, which has been encapsulated by the Regulator under the Treating Customers Fairly (TCF) banner. Whilst I have no intention of regurgitating TCF and its various components, it is fair to note that certain product suppliers have had a 'fire and forget' attitude towards customers, i.e. once the product has been sold the ongoing servicing leaves much to be desired. This clearly does not align with the fair treatment principles. It is important you do not feel I am tarring the entire industry with a single brush stroke, as this is not the case, and I am well aware that there are vastly differing cultures across the product supplier spectrum when it comes to customer care: some only talk the talk, whilst others walk the walk.



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As a result of the fair treatment initiative, the Financial Services Board has put product suppliers on notice that they will expect them to take far more interest in their customer outcomes than is the case in many instances. This, potentially, can include product suppliers being required to take some interest in the treatment of their customers by not just their own tied agency force, but independent intermediaries as well. This is, of course, at best contentious as product suppliers not unexpectedly are somewhat unhappy at potentially having to be responsible for the performance and selling standards of independent intermediaries who have their own licensed entities, and who are in any case bound by the terms of their licence, which includes the fair treatment of customers enshrined in the General Code of Conduct.

## Status quo needs to change

I do not believe that it is feasible for product suppliers to undertake audits of independent intermediaries; however, I do believe that the current status quo needs to change. A good example of this would be the current lack of product accreditation that currently exists in the marketplace. At the very least, product suppliers are going to have to bulk up and energise their training initiatives to ensure that any intermediary, or any person, whether tied or independent, who is selling/recommending their product to members of the public, has been appropriately qualified and passed product training to an acceptable level.

At the very least, such training should be of a reasonable standard and must include some kind of verification process that an intermediary would need to pass before they are able to market the product. Of course, such exercises are potentially open to abuse and I can recall scenarios many years ago where broker consultants would run around with 'cheat sheets' to 'assist' their intermediaries in passing the product exam.

I am, of course, hopeful that we have all moved on from such practices, and that product suppliers take the process seriously, as I am sure the Regulator will do so, and any attempt to make a mockery of the process will hopefully result in some heavy fines for the miscreant firms.

In conclusion, one can safely say that certain product suppliers are going to have to have a paradigm shift insofar as product responsibility is concerned. Failure to do so will almost certainly lead to conflict with the Regulator in the future and risks falling out of step with both their customers and competitors.

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