



Message from Legal & General (Unit Trust Managers) Limited (“Legal & General” or “we” or “us”) to all ‘Distributors’ under the Consumer Duty

Background

In July 2022, the Financial Conduct Authority (the “**FCA**”) published its final policy, rules and guidance on the new Consumer Duty which comes into force on 31 July 2023. Subject to some exclusions, the Duty applies to products and services offered to retail customers and has the aim of setting higher and clearer standards for firms manufacturing and making available such products and services, resulting in better protection for retail customers and the promotion of competition amongst firms and service providers.

The Consumer Duty comprises of a new “Consumer Principle”, that requires firms to act to deliver good outcomes for retail customers. This is supported by:

- cross-cutting obligations which set out how firms (including “Manufacturers” and “Distributors” as defined under the Consumer Duty) should act to deliver good outcomes for retail customers, and which require firms to (i) act in good faith towards retail customers; (ii) avoid causing foreseeable harm to retail customers; and (iii) enable and support retail customers to pursue their financial objectives; and
- four “Outcomes” requiring firms to ensure that:
 - all products and services for retail customers are fit for purpose and are designed to meet consumers’ needs (“**Products and Services Outcome**”);
 - all products and services deliver fair value to retail customers (“**Price and Value Outcome**”);
 - communications to consumers support and enable them to make informed decisions about financial products and services throughout the customer journey (“**Consumer Understanding Outcome**”); and
 - firms consider the support their customers need and then ensure that consumers are provided with a level of support that meets their needs (“**Consumer Support Outcome**”).

The Consumer Duty applies to all firms in the distribution chain and the regulatory expectation is that relevant information will need to be shared across the distribution chain to allow firms to comply with the Consumer Duty, in particular, to monitor customer outcomes for the Products and Services Outcome and the Price and Value Outcome.

Regulatory Roles

Legal & General is a ‘**Manufacturer**’ of funds under the Consumer Duty.

All firms which *offer, sell, recommend, advise on, arrange, deal, propose or provide* a fund which we manufacture, will be a '**Distributor**' of our funds.

The FCA has made clear that the definition of Distributor is **deliberately broad** so as to capture all firms in a distribution chain that ends in a retail customer. As such, IFAs and execution-only / nominee service providers are 'Distributors' under the Consumer Duty definition.

Legal & General's Manufacturer Duties

The Consumer Duty will be considered applicable regulation under any agreement that we may have with a Distributor when it comes into force on 31 July 2023. In order to support Distributors with their implementation of the Consumer Duty, and, in particular, to meet the interim regulatory expectations on Manufacturers to:

- (a) share with Distributors by the end of April 2023 the information necessary for them to meet their obligations under the Consumer Duty; and
- (b) identify where changes need to be made to their existing open products and services to meet the Consumer Duty and implement these remedies by the end of July 2023,

Legal & General shall make the relevant fund information in relation to the Price and Value Outcome and the Products and Services Outcome available to Distributors

(i) Information relating to the Product and Services Outcome

Legal & General shall share any additional information regarding its funds and the fund approval process necessary to allow the Distributor to comply with its obligations under the Products and Services Outcome, including information to enable it to consider the needs, characteristics and objectives of any retail customers in the target market with characteristics of vulnerability.

(ii) Information relating to the Price and Value Outcome

Legal & General shall share all appropriate information to allow Distributors to understand the value that the relevant fund is intended to provide to retail customers. In particular, Legal & General shall make available to Distributors such additional information as Legal & General considers necessary to enable Distributors to identify:

- (a) the benefits the fund is intended to provide to a retail customer;
- (b) the characteristics, objectives and needs of the target market;
- (c) the interaction between the price paid by the retail customer and the extent and quality of any services provided by the Distributor; and

- (d) whether the impact that the distribution arrangements (including any remuneration it or (so far as the Distributor is aware of it) another person in the distribution chain receives) would result in the fund ceasing to provide fair value to retail customers.

Your Distributor Duties

When the Consumer Duty comes into effect, Distributors will need to provide (and procure that any sub-distributors provide) to Legal & General, such information and documents, in relation to the funds that we manufacture, which we may reasonably request in order to fulfil our obligations under the Consumer Duty, including, but not limited to:

- (a) sales information and information on the regular reviews of the fund distribution arrangements¹;
- (b) whether retail customers are being, or have been, sold funds that have been designed to meet their needs, characteristics and objectives;
- (c) whether the funds that retail customers purchase provide fair value and appropriate action has been taken to address funds identified as not providing fair value;
- (d) whether retail customers are equipped with the right information to make effective, timely and properly informed decisions; and
- (e) whether retail customers receive the support they need.

Distributors can get in touch with us to provide such relevant information under the Consumer Duty or to ask any questions they may have in relation to the Consumer Duty [here](#).

¹ PRIN 2A.3.18R