

How Vanguard is implementing Consumer Duty

The FCA's Consumer Duty introduces a new overarching requirement for UK regulated firms to deliver "good outcomes" for retail customers. This overarching obligation is supported by three cross-cutting rules requiring firms to:

- Act in good faith towards retail customers
- Avoid causing foreseeable harm to retail customers
- Enable and support customers to pursue their financial objectives.

Vanguard already has a strong focus on customer outcomes, and as such many of its existing processes are aligned to the standards set by the Duty. However, there are some areas where Vanguard has made enhancements to its processes in light of the Duty requirements and to ensure the four outcomes are appropriately embedded in our business:

(i) Price & value outcome:

There must be a reasonable relationship between the price paid for a product or service and the overall benefit a customer receives from it. As such, Vanguard has undertaken additional assessments and/or reviews where appropriate to ensure all existing open products and services continue to provide fair value to retail consumers.

Assessment of Value

For our UK-domiciled funds, Vanguard is required to complete an assessment of value (AoV) under existing rules. Vanguard continues to comply with these existing AoV obligations, the outcomes of which can be found in our annual assessment of value report. The aim of the existing AoV is to help investors evaluate the value for money they can expect to receive when investing, which further aligns with Vanguard's mission to give investors the best chance for investment success, based on four investment principles of goals, balance, cost and discipline.

The 2023 Assessment of Value report concluded that Vanguard's UK-domiciled funds continued to provide good value to UK investors in the year to 30 September 2022, rated against the FCA's seven assessment criteria.

The outcomes of the value assessments will continue to be disclosed in the Assessment of Value report [↗](#) and will also be included in the European MiFID Template [↗](#) (EMT V4.1).

Fair value assessment

In addition to the existing AoV for UK-domiciled funds, fair value assessments have been undertaken for Vanguard's Ireland-domiciled funds and its model portfolio services in accordance with the requirements under the price and value outcome.

For context, the Ireland-domiciled funds are co-manufactured by Vanguard's UK entity (with Vanguard's Irish management company) and are also made available for sale to retail customers in the UK. The model portfolio services are captured within scope of the Duty and specifically, the fair value assessment obligations, given that the definition of 'product' extends to include 'service'.

Where appropriate and relevant, the fair value assessments for the Ireland-domiciled funds and model portfolio services have been carried out leveraging existing components used as part of the AoV report for the UK-domiciled funds, as well as additional criteria as part of Vanguard's methodology for ongoing reviews of its products. The result is a framework that enables Vanguard to draw from established and tested data points to help drive a consistent approach for carrying out the value assessments in accordance with the Duty.

The Ireland-domiciled funds and model portfolio services have each been assessed overall as providing fair value. The outcomes of the value assessments will be disclosed in the European MiFID Template [↗](#) (EMT V4.1) for UK and Ireland-domiciled funds. The outcome of our value assessments for model portfolio services will continue to be made available to our primary distributors.

(ii) Products and services outcome:

The design of products and services must be regularly reviewed to make sure they meet the needs, characteristics and objectives of customers in the identified target market, and that their intended distribution strategies remain appropriate for customers within the target market.

Vanguard has an established process for regularly reviewing its products and services. In line with the Duty, it has completed reviews for all existing open products and services which include aspects of the product design, approval, testing and assessment of target market and related distribution arrangements

For UK & Ireland domiciled funds, Vanguard has elected to continue to comply with its obligations under applicable existing product governance rules, in order to meet the requirements of the products and services outcome.

Model portfolio services: Vanguard has enhanced the existing product review and approval processes for the model portfolio services in order to meet the new standards of the Duty, including uplifts in relation to the consideration of cross-cutting obligations, vulnerability and bias as part of its broader work concerning assessment of target market and distribution strategies.

The outcomes of these product reviews **have not identified any significant issues in relation to the target market assessment and associated distribution strategies.** It is acknowledged that as the relationship between manufacturers and distributors evolves, and information flows are further enhanced consistently across the industry, additional information will be used to inform ongoing product reviews.

(iv) Consumer understanding outcome:

Communications should support and enable customers to make informed decisions about financial products and services and give them the information they need, at the right time, and presented in a way they can understand.

Vanguard is focused on ensuring communications (a) are effective in delivering good customer outcomes across all channels, (b) enable retail customers to make informed decisions by selecting products that help them to pursue their financial objectives and (c) are designed in a way to support understanding by different types of retail customers, including those who may have characteristics of vulnerability.

(v) Consumer support outcome:

Customer service levels should enable customers to realise the benefits of the products and services they buy and ensure they are supported when they want to pursue their financial objectives.

Vanguard has developed further its framework to ensure our consumer support: (a) meets customer needs across all channels, (b) meets the needs of customers with consideration given to different groups of customers with different needs, including those with characteristics of vulnerability, including using feedback loops across the Distribution chain, (c) including post-sale and pre-sale interactions, to support consumers to pursue their financial objectives.

Important information

This document is directed at financial advisers and should not be distributed to or relied upon by retail investors.

The information contained in this document is for educational purposes only and is not a recommendation or solicitation to buy or sell investments.

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