# Challenging a fair value assessment under the Consumer Duty

For board members and product committees at insurers, asset managers, platforms and wealth managers: six tests to apply when a fair value assessment reaches the table, and what to ask when it says value is fair.

1015

IN BRIEF

**The problem**

Fair value assessments tend to reach the board as long papers that conclude value is fair, with the evidence for that conclusion hard to find.

**Why it happens**

Assessments are often built on averages, market comparisons and incomplete costs, which can hide the customers who get the least value.

**What to do**

Test each assessment by customer group, against the whole price and the outcomes customers get, and ask what changed the last time value fell short.

01

## What the assessment is meant to show

Under the Consumer Duty's price and value outcome (PRIN 2A.4), a firm that makes a product has to ensure it provides fair value to the customers in its target market, and review that assessment regularly. For non-investment insurance, the equivalent rules sit in the FCA's product governance rules (PROD 4). Fair value means the total price the customer pays is reasonable for the benefits they get. Firms that distribute the product have parallel duties, including checking that their own charges don't stop it giving fair value.

The board sees the result as a paper, usually with a conclusion that value is fair. The board's job is to test whether that conclusion follows from the evidence. The FCA's reviews since 2023 have repeatedly found weaknesses in the evidence behind those conclusions.

02

## Six tests to apply

**1. Is value judged customer group by customer group?** An average can be fair while a large group of customers gets poor value. The FCA's May 2023 findings on fair value frameworks warned that averages could hide pockets of poor value. Ask to see value by pot or policy size, by age of policy, by channel and for customers in vulnerable circumstances.

**2. Is the whole price counted?** Include every charge the customer bears: ongoing charges, exit charges, interest kept on cash balances, and any distribution costs paid through the product. The FCA has also criticised assessments that ignore non-financial costs, such as the time and effort it takes a customer to choose, change or cancel a product.

**3. What is the product compared with?** Being in line with competitors shows only that the price is normal, not that it is fair. The FCA's good and poor practice update, last revised in July 2026, says being in line with market practice is not, by itself, evidence of fair value. The stronger comparison is between what the customer pays and what they get.

**4. Are older and closed products included?** The Duty has applied to closed products since 31 July 2024. The FCA's July 2026 review of unit-linked pensions and savings found customers in older and closed products more likely to receive poorer value, and said an inability to contact customers does not remove firms' obligations.

**5. Does the evidence support the conclusion?** Look for data: costs against benefits, claims paid against premiums for insurance, how many customers leave early and why, complaints, and whether customers get the outcome the product promises. A conclusion that rests on the product's features alone is an assertion.

**6. What happens when value falls short?** The assessment is only useful if a poor result leads somewhere: a change to price or terms, a closure to new business, or remediation for customers who have already lost out.

ILLUSTRATIVE EXAMPLE

**Charges by pot size in one product**

| Pot size | Customers | Charge a year | % of pot |
|---|---|---|---|
| £5,000 | 400 | £100 | 2.00% |
| £20,000 | 300 | £175 | 0.88% |
| £50,000 | 200 | £325 | 0.65% |
| £200,000 | 100 | £1,075 | 0.54% |
| **Whole book, weighted by assets** | **1,000** | **–** | **0.70%** |

Illustrative product with a £75 annual fee and an annual management charge of 0.50%. The book's average charge is 0.70% of assets, but 40% of its customers pay 2.00% a year. That may still be fair value for them, but the board can't judge it from the average.

FROM EXPERIENCE

At Prudential I set bonuses, surrender and transfer values on conventional with-profits and deferred annuity products, and produced reports for the board, the With-Profits Actuary and senior management. With-profits business has long asked its own version of the fair value question: whether each group of policyholders is treated fairly against the others. The habit it gave me is to look at outcomes group by group rather than on average.

Later, at St. James's Place, I led an initiative to remove penal exit charges. Then, as a principal adviser for over 400 clients in my own firm, I saw value from the customer's side of the table.

03

## Reading the paper

A good assessment is short on description and long on evidence. Before the meeting, look for three things: the customer groups the assessment has split out, the full list of charges it has counted, and the last time it led to a change. If none of those is easy to find, the paper is describing the product rather than assessing its value.

When the conclusion is that value is fair, ask the author which customers get the least value and why that is still acceptable. If the answer is clear, the assessment has probably done its job; if not, it is worth sending back.

## Questions for the board

01 Which customers get the least value from this product, and how do we know?

02 Does the assessment count everything the customer pays, including exit charges, interest kept on cash and distribution costs?

03 What is the product compared with, and would the comparison still look good if the market itself were poor value?

04 Are closed and older versions of the product assessed on the same basis, and what did that find?

05 What evidence supports the conclusion, beyond the price being in line with competitors?

06 When an assessment last found poor value, what changed, who decided and how quickly?

The six tests take minutes to apply in the meeting. They show quickly whether an assessment rests on evidence about customers or on a description of the product, and whether a poor result would change anything.

If this is on your table, a 30-minute conversation is usually enough to tell whether I can help.

## Talk to Mark

mark@markwoodruff.co.uk · 07391 820971 · markwoodruff.co.uk

### ABOUT THE AUTHOR

Mark Woodruff is a Chartered Actuary (FIA) and Chartered Financial Planner (FPFS). He spent 15 years pricing and building products at Aviva, Prudential, Partnership and St. James's Place, then more than seven years founding and running advice firms through to a substantial sale. Through Mark Woodruff Consultancy he works with financial services firms on product, pricing, distribution and governance.

**Regulatory notice.** Mark Woodruff Consultancy works with businesses only. I don't give regulated personal financial advice to individuals.

**Disclaimer.** This briefing is general information for financial services firms. It is not tailored to any firm's circumstances and is not legal, regulatory or financial advice. Work is agreed in a written letter of engagement before it starts.

Published October 2026
Regulatory references correct at October 2026
© Mark Woodruff Consultancy 2026