

CONSUMER DUTY (PRIN 2A) FAILURES AS PI CLAIMS

Reviewed by Matthew Bartlett, Director · Last reviewed 2026-06-22

The Consumer Duty, set out in PRIN 2A of the FCA Handbook, took effect for new and existing products on 31 July 2023, and was extended to closed products on 31 July 2024. The Duty introduces a cross-cutting obligation on regulated firms to act to deliver good outcomes for retail customers. A breach of the Duty does not, by itself, create a private right of action for the customer — section 138D of the Financial Services and Markets Act 2000 limits actionable rules to those specified by the FCA — but the practical effect on PI claims is significant.

THE FOUR OUTCOMES

PRIN 2A requires firms to deliver good outcomes across four areas: products and services; price and value; consumer understanding; and consumer support. Each is supported by detailed sub-rules in PRIN 2A.4 to 2A.7 and the FCA's finalised guidance FG22/5. A failure in any of the four can give rise to FOS complaints, FCA action, and — where a parallel civil duty exists — civil claims that PI cover may respond to.

HOW PI IS AFFECTED

PI cover does not respond to fines or regulatory censure. The FCA's enforcement powers under the Financial Services and Markets Act 2000 generate consequences that PI policies routinely exclude. However, PI does respond to the underlying advice or distribution failure that the FCA has cited as evidence of Duty breach, provided the failure also amounts to negligence or breach of the relevant common-law or contractual duty.

An IFA who has not delivered fair value under PRIN 2A.6 may also have given unsuitable advice for the purposes of COBS 9. The unsuitable advice is what generates the FOS award and the civil claim; the PRIN 2A position frames the regulatory response. PI responds to the first; the second sits outside.

THREE SECTORS WHERE THE OVERLAP SHOWS UP MOST

Our [IFAs PI insurance guide](#) covers the Consumer Duty and the IPRU-INV 13 interaction in detail. Insurance brokers and intermediaries are also subject to PRIN 2A in respect of retail business; our [insurance brokers PI insurance guide](#) sets out how MIPRU 3.2 cover responds to distribution-related Duty failures. Where management consultants advise regulated firms on Duty implementation and the implementation falls short, the advice itself can become the subject of a PI claim — covered in our [management consultants PI insurance guide](#).

THE CLOSED PRODUCTS EXTENSION

The 31 July 2024 extension of the Duty to closed products means historic books that were sold years before the Duty came into force are now subject to the outcomes framework on an ongoing basis. Firms with closed books in run-off — particularly

investment bond books, legacy pension business, and historic protection — have a fresh obligation to consider fair value and consumer understanding on those books. PI exposure may follow.

FOS AND THE PARALLEL ROUTE

The FOS does not adjudicate Duty breaches as a separate cause of action, but the FOS has confirmed it will take Duty considerations into account when assessing what is fair and reasonable in all the circumstances under DISP 3.6.4R. A complaint that would once have been borderline on suitability may now succeed on fair-value or consumer-understanding grounds, with PI cover responding to the resulting compensation.

DOCUMENTATION AND THE MI

PRIN 2A.5 requires firms to monitor outcomes through management information. The MI that supports the Duty also supports the insurer's underwriting picture at renewal. A firm that can produce clean outcome MI — declined-rate triage, vulnerability identification, fee-against-value mapping — typically has a stronger renewal conversation than one that cannot. The MI also provides a contemporaneous record that may be relevant if a claim arises.

NOTIFICATIONS

Where a Duty failure rises to the level of a SUP 15.3.1R notification, the firm should consider notifying the PI insurer at the same time. The two notifications travel together; delay on either can prejudice the other.

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