



Culture and the CRM Code: why culture matters to good outcomes

Introduction

The culture of a firm is of vital importance to how it interacts with its staff, customers, and stakeholders. A poor culture can lead to bad outcomes in a variety of ways, from having inadequate governance structures, to offering the wrong incentives, or having staff who misunderstand how customers should be treated.

This thought piece looks at the importance of culture within firms as it relates to the Contingent Reimbursement Model Code for Authorised Push Payment Scams (the CRM Code). The piece will provide a number of practical considerations, including:

- How controls should capture the outcomes expected by the Code and drive the culture instilled by the firm's leadership. This should include regular and insightful reporting, to give senior managers oversight of how the Code is being delivered.
- How to set the tone from the top and communicate the right culture throughout the firm as it relates to the CRM Code.
- Why firms should think about how staff are incentivised in relation to the CRM Code. This includes considering how staff are evaluated when considering promotions or appraisals.
- That training should reflect the tone from the top and focus on delivering good outcomes in line with the Code. By utilising different training techniques, firms can increase staff confidence and competence.

CRM Code background

The introduction of the CRM Code marked a shift in how APP scams are handled by the firms signed up to it. There was now a new set of rules around the prevention, detection, and reimbursement of customers who fall victim to APP scams. Firms had to ensure that their processes and people were equipped to deal with this change. All the while, coronavirus has impacted firms and the wider country since March 2020, whilst APP scams have continued to rise in number.¹ The Lending Standards Board's (LSB) reviews of the Code's implementation have found a number of areas requiring improvement.²

¹ UK Finance, [Criminals exploit Covid-19 pandemic with rise in scams targeting victims online](#)

² LSB, [LSB issues warning to CRM Code signatories over Authorised Push Payment \(APP\) scams](#)

What is culture?

When speaking as CEO of the Prudential Regulation Authority (PRA), the now Governor of the Bank of England, Andrew Bailey, explained how culture is a product ‘of a wide range of contributory forces.’ He gave examples of these forces as the ‘tone from the top’, remuneration and incentives, the quality and effectiveness of risk management, and the willingness of people throughout the organisation to follow the ‘tone’ as set by senior leaders.³ This was the view provided in 2016 but it is just as valid today.

As described in the Practitioner Guide for the CRM Code (Governance and Oversight), ‘The LSB would expect that the Code is embedded into the culture of Firms, ensuring that there is an effective governance framework in place to enable implementation and embedding of the required outcomes of the Code.’⁴ By looking at their current approach to culture and the CRM Code, firms can identify areas for development that could lead to increased compliance with the Code and better outcomes for customers.

Why does culture matter to the Code?

The CRM Code has three overarching objectives: reducing the occurrence of APP scams, increasing customer protection both through reimbursement and the reduction of scams, and minimising disruption to legitimate payment journeys.⁵ Firms should do this by applying the Code requirements and general expectations, for example, by raising consumer awareness and providing aftercare to those customers who fall victim to an APP scam.

Applying the CRM Code meant a new way of working for many of those tasked with handling cases of APP scams. For example, it is possible that before the introduction of the Code, some firms did not reimburse customers unless in exceptional circumstances. Under the CRM Code, there was now an expectation to reimburse customers unless an exception applied as detailed in section R2(1).⁶ The application of these rules goes beyond any tick box exercise or process driven decision making and involves considering a number of factors, including the customer’s situation and the complexity and sophistication of the APP scam.⁷

Such a change in approach may impact how firms and staff think about the very nature of scams themselves. It also has the potential to affect how customers are dealt with and the outcomes they receive. As noted within the LSB’s previous thematic reviews of the Code, firms need to consider the customer’s whole situation when assessing a claim, including considering whether the customer was vulnerable at the time of the scam.⁸ Firms need to be sure that its culture promotes such thinking and that behaviours align with it.

³ Andrew Bailey, [Culture in financial services – a regulator’s perspective](#)

⁴ LSB, [Practitioner Guide, General Expectations of Firms Governance and Oversight](#)

⁵ LSB, [The Contingent Reimbursement Model Code – Overarching provisions](#)

⁶ LSB, [The Contingent Reimbursement Model Code – R1](#)

⁷ LSB, [The Contingent Reimbursement Model Code – Reimbursement of customer following an APP scam](#)

⁸ LSB, [Review of approach to reimbursement of customers – provision R2\(1\) \(c\)](#)

Cultural considerations for firms

We will now look at a number of elements that could contribute to a positive culture in relation to the CRM Code. These include governance, tone from the top, incentives, and training.

Governance

A firm's culture should influence every part of its governance structure. This is because the governance structures in place, for example, those relating to policies, procedures, and controls, hugely impact the outcomes delivered to customers. If firms fail to look at their governance structures through the perspective of the culture and values that senior leadership expect, it is likely that outcomes will occur that are contrary to those expectations.

In its review of the CRM Code published in January 2021, the LSB wrote it would be 'setting out expectations around governance arrangements and related controls to ensure that the Code is embedded within the culture of Code signatories.'⁹ The Governance and Oversight section was added into the Code on 20 April 2021¹⁰ and became effective on 14 June 2021. This section includes important provisions that, if implemented appropriately, should ensure good outcomes are delivered which are consistent to the Code.

Governance – practical considerations for firms

- Controls should capture the outcomes expected by the Code and drive the culture instilled by the firm's leadership. For example, there should not be a disjoint between the 'tone from the top' (for example, messaging promoting the importance of treating customers in an open and empathetic manner) and QA measures (for example, that are overly focused on process and do not consider the quality of customer contacts and the outcome achieved).
- MI should be used to assess whether the right behaviours are being shown by first line teams. By using a wide range of metrics and thinking creatively about how to monitor delivery of the Code, senior leaders can have more confidence in their approach. For example, firms should consider the data they use on the efficacy of effective warnings, to understand if they are working as intended. If MI shows emerging issues or trends, these need to be investigated and corrective actions implemented if required.
- A large amount of data and information may be being gathered and reported in relation to the CRM Code. Any reporting packs going through to senior management should be designed to capture and highlight key customer outcomes and any related risks. This helps draw attention to the most valuable metrics and insight in order for

⁹ LSB, [Review of the CRM Code for Authorised Push Payment Scams](#)

¹⁰ LSB, [The Contingent Reimbursement Model Code – Governance and oversight](#)

management to focus on what really matters. Reviewing committee and other management packs on a regular basis can help identify any information that is missing or surplus to reporting requirements.

- Before any change is implemented relating to the CRM Code, for example, in relation to policies or processes, consideration should be given as to whether the change reflects the intended culture and the risks that could arise as a result of the change. Following changes to the process or overall approach to the Code, firms should conduct post-implementation reviews to see if the journey is working as intended and as required under the Code.

Tone from the top

The ‘tone from the top’ is a widely known concept referring to having the right messages and actions emanating from senior leadership so as to inspire and guide the wider business.¹¹ It is incredibly important to get this right; without it, staff may have policies and processes to guide them but little ‘feel’ for the values or ways of working expected by the firm.

It is not just the Executive or Board who need to set the right tone and reflect it in their actions. There has been an increased focus on making it clear that the tone from the top needs to be supported by the ‘tone from above’ and ‘tone from within.’ As explained by Mark Steward, Executive Director of Enforcement and Market Oversight at the FCA, “tone from the top’ is necessary for setting the parameters, the expectations and the examples; ‘tone from above’ reinforces the ‘tone from the top’ at local levels and ‘tone from within’ requires every person in the organisation to be personally accountable and engaged.”¹²

It is this ‘tone from above’ and ‘tone from within’ that is particularly pertinent to the implementation of the CRM Code. Senior and middle management within teams responsible for applying the Code (CRM teams) need to be consistent in their messaging and in promoting good outcomes for victims of scams.

Tone from the top – practical considerations for firms

- Firms need to be confident that key leadership messages relating to the CRM Code are effectively reaching first line staff. Using a variety of communication channels (in person presentations, written or video blogs, Q&A forums etc.) to deliver key messages can increase their reach and prominence within the firm. This could include, for example, messaging that promotes the CRM Code within the firm (to help maintain knowledge of the Code outside of the training environment) and reinforces that customers should be told about the Code. Raising customer awareness is an important

¹¹ PWC, [Tone from the Top – Transforming words into actions](#)

¹² FCA, [Compliance, Culture and Evolving Regulatory Expectations](#)

part of implementing the Code and was previously highlighted as an area for development by the LSB.¹³

- If a firm is looking to change or improve its approach in a certain area, it can be valuable to use leaders to communicate this and ‘set the tone.’ For example, if the third line identified issues with how vulnerability is considered when reviewing claims, firms could co-ordinate leadership messaging to focus on vulnerability and how it applies to the Code.
- The tone from the top for CRM could focus on key findings from recent LSB reviews or other areas that have been identified as requiring improvement. For example, the tone from the top messaging could draw attention to the importance of getting a clear picture of APP scam victims’ ‘full circumstances’, in order to accurately review each claim.¹⁴ Training and messaging from management would then explain how this is done, for example, by using open questions, being empathetic, and actively listening. QA and other assurance measures should also consider how their controls are capturing such outcomes on the first line to enhance compliance.
- Firms should consider how staff can raise issues or concerns when they see practices that do not reflect the values or tone of the firm. Firms may have whistle-blower processes in place or a lower level ‘suggestion box’ tool. However, is there also a middle ground where matters can be raised and given serious consideration in order to improve outcomes? For example, firms could look to have escalation channels for first-line staff beyond their line manager or have designated events where suggestions and concerns can be raised in a positive, encouraging environment.

Incentives

How staff are incentivised to complete their work will understandably have a great impact on how they go about achieving it. For example, if staff are financially rewarded to move customers in financial difficulties onto a certain type of forbearance measure, it is likely that customers will end up on that measure despite it being, in some situations, unsuitable for them.

In relation to the CRM Code, financial incentives could be in place for CRM teams that would increase the likelihood of bad outcomes. This could occur if, for example, additional performance pay was rewarded based on the number of CRM claims dealt with. The LSB’s compliance reviews into the Code did not see any evidence of adverse financial incentives in

¹³ LSB, [Review of the CRM Code for Authorised Push Payment Scams](#)

¹⁴ LSB, [Follow-up Review of CRM Code - Approach to Reimbursement of Customers – Provision R2\(1\)\(c\)](#)

place for CRM team staff at the time of the reviews. Signatory firms should ensure that any changes to their remuneration policy do not create any bad incentives in the future.

Even where there is not a monetary incentive, it is possible for staff to be rewarded for behaviours which are against the tone or expectations of the firm. For example, if CRM team members are not financially rewarded based on the number of claims dealt with, but that figure is considered during annual reviews or promotion boards, this could create a bad incentive. The same is true if first line management are judged on the amount of claims their teams handle. This could impact negatively on customers, for example, if staff did not fully explore the full circumstances of the case because of a pressure to quickly resolve claims.

Incentives – practical considerations for firms

- Firms must be confident that the remuneration policy for CRM teams and their management does not result in a risk of bad customer outcomes. This would include checking that there are not bonuses or other reward payments made that risk a claim being handled outside of the requirements of the Code.
- Promotion boards or similar vehicles for professional advancement should be reviewed to see what is considered in relation to the treatment of APP cases. If there is any advantage to treat a claim outside of the culture of the firm and expectations of the Code (for example, if there is an incentive to close cases at a certain rate), these potentially poor incentives should be addressed.
- Any trends identified through analysing MI or QA results should consider if an incentive could be driving behaviour. For example, if there is an increase of non-reimbursed claims at the end of a month, the firm should find out why this is. In this example, it could be possible that current operational practices encourage the closure of a certain number of claims, potentially leading to incorrect outcomes being applied.
- Where there are incentives in place to drive behaviour, for example, if promotion or awards are judged on certain measurable factors, firms should consider linking these with customer outcome based metrics. This could include, for example, average QA results that measure customer interactions and soft skills along with process elements.

Training

Without effective and focused training in place, staff will be unable to deliver outcomes consistent with the Code. Training should be delivered to all staff who may deal with a customer who has fallen victim to a scam. This is important to ensure that staff are aware of the Code, understand its implications for the firm and customer, and can support those that fall victim to APP scams.

Training should also be given to those who may work on or review work relating to an APP scam. The LSB raised this point following its April 2020 review into the approach to reimbursements. 'It was not always clear that all staff who are impacted by the Code had received training. For example, we saw instances where the complaints team had not been fully trained on the expectations of the Code.'¹⁵

A great deal of consideration should be paid to culture when designing and implementing training. This includes ensuring that those staff delivering CRM Code related training understand the outcomes expected by the firm and the manner in which these outcomes should be achieved.

Training – practical considerations for firms

- Training should reflect the culture expected when dealing with APP scams. By regularly reviewing the tone in which training is delivered, firms can see that a consistent approach is being taken that reinforces the key messages. For example, if the tone is that claims should be considered in a holistic manner taking into account all the customer's circumstance, training should not be overly processed driven and ignore the holistic element.
- Training should have the dual purpose of imparting knowledge and improving performance. In relation to the CRM Code, training should look to develop the skills of staff to improve customer interactions, including how to gather all the necessary information relevant to the claim. Sessions should look to train and practice specific techniques, for example, how to use open questions, empathy, and listening skills when establishing what happened and closed questioning to recap and show understanding.
- It is possible that training sessions are overly long or cover too many topics to be effective. This could especially be the case during refresher training, when staff are away from the first line for a short while and a large volume of information needs to be imparted. Training and scam team leaders should consider whether the time allocated to training is adequate or whether more time should be spent on key areas. These could include, for example, those relating to identifying and assessing claims involving a vulnerability or improving questioning skills to enable open and detailed conversations.
- Before the implementation of any change programme, firms must ensure that the change is communicated out to all relevant staff and that training is delivered. Staff should leave any such training with an understanding of the reason for the change and any operational knowledge required as a result of it. By focusing on the purpose and

¹⁵ LSB, [Review of approach to reimbursement of customers – provision R2\(1\) \(c\) \(April 2020\)](#)

intended customer outcome, rather than just the details of the process, firms can improve staff understanding and further instil the right culture.

The culture of a firm impacts every element of how it conducts its business. For this reason, embedding the right culture is vital to ensuring that the Code is working as intended and delivering the correct outcomes for customers. Cultures can also change, for example, the culture within firms that are now predominantly working remotely will likely be different to how it was when office based. For this reason, firms should continually review and develop how they manage and promote their culture and values, including in relation to the CRM Code.

If you wish to discuss culture or any element of the CRM Code in further detail, or if there is any other way that the LSB can assist you or your firm, please contact us at insight@lstdb.org.uk or using the details below.

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