



Dealing with Vulnerable Customers

It's time for firms to make a practical shift


Insurance Institute of Bradford, Halifax, Hull, Middlesbrough and York

2nd December 2020

Adrian Golifer
Consultant

Create Solutions

1



Agenda

Why the FCA GC20/3 guidance consultation was issued (29th July 2020)

An overview of FCA expectations

A look at what your firm needs to do and some practical tips


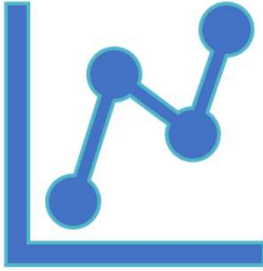
The benefits of getting this right to your firm and to its vulnerable customers

The consequences of not taking this seriously

Questions and answers

2

Over to you... poll time



3



Who is a typical vulnerable customer?



4

Background to FCA GC20/03

- ▶ Key FCA priority
- ▶ Good vulnerable customer outcomes sought
- ▶ Greater risk of harm
- ▶ Embedded culture
- ▶ Senior management engagement
- ▶ Policies and procedures



5

Making a 'practical shift'

- ▶ Firms should take this seriously NOW
- ▶ FCA policy is moving to supervision priorities
- ▶ Expect more FCA engagement
- ▶ How can you demonstrate you are taking this seriously?

6

The story so far

Occasional Paper No.8
Consumer Vulnerability
February 2015

Financial Conduct Authority
Occasional Paper 31
September 2017

Our Mission 2017
How we regulate financial services

Guidance consultation
Guidance for firms on the fair treatment of vulnerable customers
July 2019

Access to Financial Services in the UK
July 2016
Occasional Paper 17

Appendix 4 Practitioners' Pack
This document is designed to assist practitioners to begin to address the needs of consumers in vulnerable circumstances. It consolidates tips and resources gained throughout the course of the FCA's research. As such, there is some necessary qualification of content from previous Chapters. This pack draws upon resources shared by third parties; it does not represent FCA guidance or rules. This document is geared towards firm employees tasked with the development of a vulnerable customer policy/strategy.
Consumer Vulnerability: Practical tips

Discussion Paper on a duty of care and potential alternative approaches
Discussion Paper DP165
July 2018

Guidance consultation
Guidance for firms on the fair treatment of vulnerable customers
July 2019

A duty of care and potential alternative approaches: summary of responses and next steps
Feedback Statement FS19/2
April 2019

7

Additional resources

FCA VIDEO

FINANCIAL LIVES SURVEY AND REPORT 2020

FCA CASE STUDIES

INTERACTIVE MAP

8

FCA wider context



- ▶ Consumer protection objective
- ▶ Fair treatment of vulnerable customers = better decisions
- ▶ FCA 2020/21 Business plan



9

FCA wider context

- ▶ FSMA 2000
- ▶ Final guidance will support the Principles for Businesses
- ▶ PRIN 2: Skill, care & diligence
- ▶ PRIN3: Management & control
- ▶ **PRIN 6: Customers' interests**
- ▶ PRIN 7: Communications with clients
- ▶ PRIN 9: Relationships of trust

10

FCA supervision

- ▶ Firms will need to demonstrate they are treating their vulnerable customers fairly through:
 - ▶ Business models
 - ▶ Target market
 - ▶ Customer base
 - ▶ Culture
 - ▶ Policies and procedures
- ▶ Identifying key drivers of harm
- ▶ Avoid a tick-box approach

11

Implementation

- ▶ No implementation period
- ▶ Need to be working on your vulnerability implementation **NOW!**
- ▶ Enforcement interest
- ▶ Firms are already obligated - remember TCF!
- ▶ FOS and complaints

12

Coronavirus

- ▶ Coronavirus measures are exacerbating the challenges for those already vulnerable
- ▶ Economic outlook
- ▶ Impact on customers
- ▶ FCA will focus on longer-term impacts on society



13

FCA definition of vulnerability

'A vulnerable customer is somebody who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care'.

'There are many reasons a person may be vulnerable. These may be related to health, capability, resilience, or the impact of a life event'.

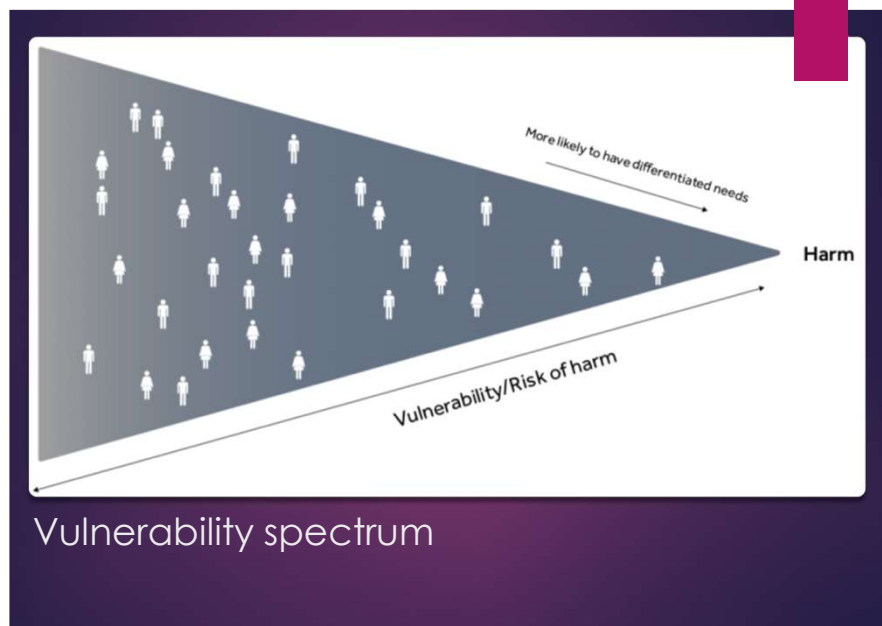
14

Four key drivers of vulnerability

Table 1: The 4 key drivers of vulnerability and the types of characteristics of vulnerability they may cause

Health	Life events	Resilience	Capability
Physical disability	Caring responsibilities	Low or erratic income	Low knowledge or confidence in managing finances
Severe or long-term illness	Bereavement	Over indebtedness	Poor literacy or numeracy skills
Hearing or visual impairment	Income Shock	Low savings	Low English language skills
Poor mental health	Relationship Breakdown	Low emotional resilience	Poor or non-existent digital skills
Addiction	Domestic Abuse		Learning impairments
Low mental capacity or cognitive impairment	People with non-standard requirements such as people with convictions, care leavers, refugees		No or low access to help or support
	Retirement		

15



16

Typical vulnerable customer characteristics

Abuse	Depression	Illiterate
Accident	Disability (Physical /Mental)	Injury
Addiction	Domestic abuse	Isolation
Age	Deaf/Hard of hearing	Job loss
Amputee	Dyslexia	Language barrier
Autism	Dyspraxia	Learning difficulties
Anxiety	Diabetic	Minor (under 18)
Arthritis	Dementia	MS
Bereavement	Divorce	OCB
Bi-polar	Epilepsy	Phobia
Blindness/poor vision	Eviction	Poverty/Low income
Brain injury	Eating disorders	PTSD
Carer Duties	Gender Fluid	Speech impediment
Chronic illness	Hoarders	Terminal illness
Claimant		Victim of crime



17

Who is a typical vulnerable customer?



18

What is vulnerability?

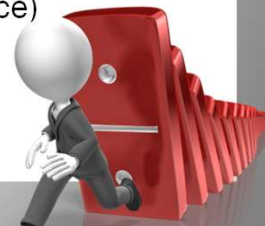
- ▶ What are vulnerable customers **actually vulnerable to?**
- ▶ Required to establish:
 - Any detriment the customer is vulnerable to
 - Support required
- ▶ Answering the '**what**' question!
- ▶ E.g. a customer may be vulnerable to:
 - Impaired decision making (side-effects of medication)
 - Inability to use an online portal (due to design weakness)
 - Financial difficulty or exclusion (customer life events)



19

What is vulnerability?

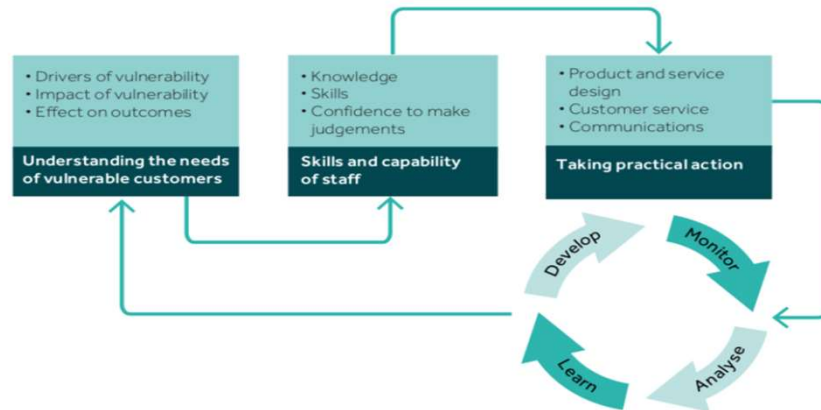
- ▶ What makes a customer vulnerable is not the same as 'what they are vulnerable to'
- ▶ Separate the '**cause**' from the '**effect**'
- ▶ Firms better placed to act on the 'effect' (e.g. customer's inability to make a payment)
- ▶ Firms rarely able to act on the underlying 'cause' of vulnerability (e.g. cancer, illness or divorce)



20

Vulnerable customers' needs

Figure 3 Meeting the needs of vulnerable consumers



21

Practical considerations

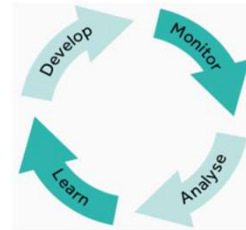
- ▶ ICOBS / MCOBS / COBS 9 & 9A
- ▶ Senior Managers and Certification Regime (SM&CR)
- ▶ Training & Competence sourcebook (TC)
- ▶ Product Intervention and Product Governance sourcebook (PROD)
- ▶ Responsibilities of Providers and Distributors for the Fair Treatment of Customers
- ▶ Financial Promotions
- ▶ Additional legal and regulatory obligations



22

Practical considerations

- ▶ Understanding customers' needs
- ▶ Skills and capability of staff
- ▶ Product and service design
- ▶ Customer service
- ▶ Communications
- ▶ Monitoring and evaluation
- ▶ Management information (MI)
- ▶ Recording



23

Understanding customers' needs

- ▶ Understand the nature and scale of characteristics of vulnerability present in your firm's target market and customer base
- ▶ Understand the impact of vulnerability on the needs of customers in your target market and customer base, and how this might affect the customer experience and outcomes



24

Skills and capability of staff

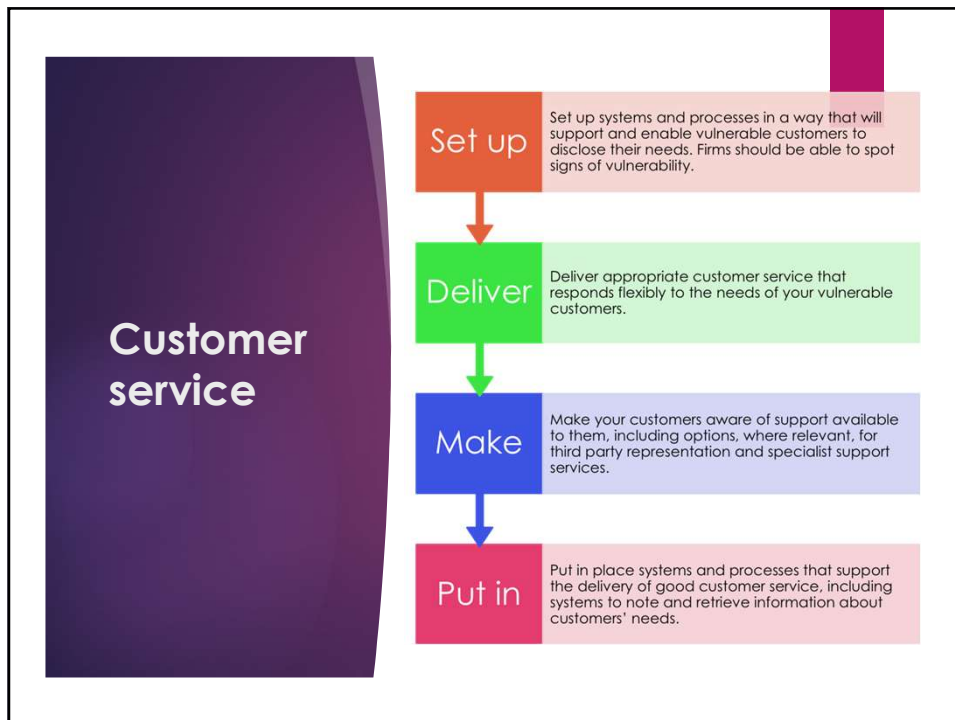
- Embed**
 - Embed the fair treatment of vulnerable customers across your workforce. All relevant staff should understand how their role impacts the fair treatment of vulnerable customers.
- Ensure**
 - Ensure frontline staff have the necessary skills and capability to recognise and respond to a range of vulnerability characteristics.
- Offer**
 - Offer practical and emotional support to frontline staff dealing with vulnerable customers.

25

Product and service design

- Consider the potential positive and negative impacts of a product or service on vulnerable customers. Design products and services to avoid potential negative impacts.
- Take vulnerable customers into account at all stages of the product and service design process (idea generation, development, testing, launch and review) to ensure products and services meet their needs.

26



27

Customer service: poor outcome

A customer who had recently suffered the loss of their partner went to a firm to sort out their partner's affairs. They were told *"There isn't anyone here who does bereavement today. Come back tomorrow."*

The firm, rather than the staff member, was at fault here due to its inflexible processes and inadequate training for dealing with vulnerable customers experiencing distressing life events.

Even if specialist staff are not available, **all frontline staff** should have been trained to advise customers on how processes such as registering a bereavement work, and should have been able to sensitively advise the customer of their options.

Lack of sensitive frontline support can lead to disengagement and harm to customers.

CREATE SOLUTIONS
TRAINING & COMPLIANCE

28

Communications

- ▶ Ensure all communications and information about products and services are understandable for customers in your target market and customer base
- ▶ Consider how you communicate with vulnerable customers, taking into consideration their needs
- ▶ Where possible, firms should offer multiple channels so vulnerable customers have a choice of how to interact



29

Monitoring and evaluation

Implement appropriate processes to evaluate where they have not met the needs of your vulnerable customers, so that you can make improvements.

Produce and regularly review management information (MI), appropriate to the nature of your business, regarding the outcomes you are delivering for your vulnerable customers.

30

Management information (MI)

- ▶ **Business persistence: analysis of customer retention records** – e.g. why customers leave, this may flag up where poor treatment is contributing to high turnover of customers.
- ▶ **Training and competence records:** analysis of records of staff training, including remedial actions where staff knowledge or actions were found to be below expectations.
- ▶ **File reviews:** reviewing customer files to check for errors and assess if customers were treated fairly (this is particularly useful for sales processes).
- ▶ **Customer feedback:** using formal and informal feedback from customers (e.g. complaints and comments made to the firm but also comments and complaints on social media) to identify trends and areas for improvement.
- ▶ **Complaint root cause analysis:** investigating complaints fully to understand the cause of customer complaints, not just dealing with the symptoms.
- ▶ **Compliance reports:** review compliance reports to check if standards are being met in terms of treating customers fairly.

31

Vulnerability recording

- ▶ Data protection should not act as barrier to recording – ICO
- ▶ Nature of vulnerabilities
- ▶ Any issues encountered & action taken – risks?
- ▶ Referrals – internal & external
- ▶ How are outcomes/customer's personal circumstances changing over time?
- ▶ Accurate data
- ▶ Flags and support codes
- ▶ TEXAS methodology



32

TEXAS

Methodology for managing initial conversation with customers

THANK THEM

EXPPLAIN how their information will be used

EXPlicit consent

ASK *three key* questions

SIGNPOST to internal or external help

[occasional-paper-8-practitioners-pack.pdf \(fca.org.uk\)](#) Page 112



33

Benefits to firms and customers

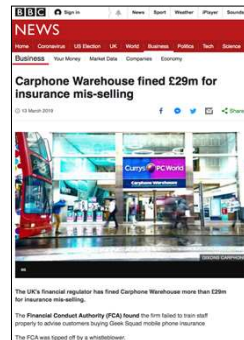
- ▶ Trust
- ▶ Engagement
- ▶ Reputation
- ▶ Differentiation
- ▶ Culture



34

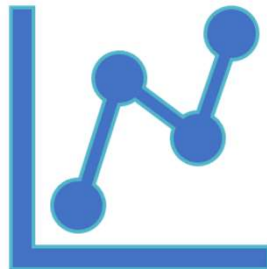
What happens when it goes wrong

- ▶ The mis-selling of an insurance product to mobile phone customers where FCA found that the firm had not trained its sales consultants to adequately assess customers' needs.
- ▶ Staff were trained to overcome customer objections, rather than determining whether the product was suitable.
- ▶ Vulnerable customers are at increased risk from these practices, because they can be more susceptible to pressure selling.



35

Over to you... poll time



36

Questions and Answers



- ▶ Contact Create Solutions Ltd
- ▶ www.createsolutions.co.uk
- ▶ Adrian Golfier (consultant)
- ▶ Tel 0161 870 6637
- ▶ Adrian.golifer@createsolutions.co.uk