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Customer Vulnerability: Your Questions Answered

Elephants Don't Forget, FWD Consulting, MorganAsh, and the Collaboration Network answer your most pressing questions about applying and embedding the FCA's requirements on customer vulnerability within your firm.

PURPLE PAPER

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Foreword

As the financial services industry navigates an increasingly complex landscape, the protection of vulnerable customers has never been more critical. To ensure we're providing the most relevant support, we embarked on a comprehensive research initiative. We engaged with over 600 industry professionals, from compliance leads to senior executives, to gather their most pressing questions about Consumer Duty and customer vulnerability.

The result? A staggering 200+ questions submitted by your industry peers that reflect the widespread challenges and uncertainties facing firms today. These questions form the backbone of this discussion document, providing a unique and invaluable resource. We've carefully curated and analysed these questions to offer actionable insights into the key challenges facing the industry. From meeting the FCA's expectations to identifying vulnerable individuals and implementing effective support strategies, this document provides the answers you need.

I believe this document represents one of the most comprehensive collections of questions related to vulnerable customers in the financial services industry to date. I would like to extend my sincere thanks to Andrew Gething, Martin Grimwood, and Mark Bailey for their invaluable contributions and dedication in compiling these curated question responses.

Adrian Harvey
CEO at Elephants Don't Forget

Webinar Panel

ADRIAN HARVEY
CEO
Elephants Don't Forget

Adrian spent the first decade of his career working in corporate banking and lending with ABN AMRO, GE Capital & BNP Paribas. He joined the energy sector to bring commercial expertise to the privatisation of British Gas and spent ten years in the sector. He was Managing Director of the largest residential business of British Gas and Managing Director of Eon's property services and renewable energy business.

ANDREW GETHING
Managing Director
MorganAsh

Andrew Gething is the managing director of MorganAsh, an FCA-regulated firm that has been assessing and helping vulnerable consumers for over two decades. MorganAsh has developed the award-winning consumer vulnerability assessment, management and reporting tool, MARS (the MorganAsh Resilience System). MARS is in use in the financial services, credit and utilities sectors. Andrew is a recognised expert in consumer vulnerability.

MARTIN GRIMWOOD
Director of Research
FWD Consulting

With over 30 years' experience within the financial services industry, Martin has played a key role in leading research and consulting support to both financial service providers and regulatory bodies. His deep understanding of customer experience, customer behaviour and customer protection has been instrumental in helping clients enhance their operations while ensuring compliance within regulatory frameworks.

MARK BAILEY
Director & Co-Founder
Collaboration Network

Mark is a Co-Founder and Director of the Collaboration Network supporting cross-sector engagement and improving the relationships between consumers and businesses. This grew from Mark's involvement with the consumer complaints service Resolver, where he was a founder and was responsible for business engagement and revenue growth.

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Introduction

A recent webinar, attended by over 600 participants from 25 different types of financial services firms, shed insight on the pressing challenges and opportunities surrounding consumer vulnerability. The 90-minute roundtable discussion featured a panel of experts who addressed key questions raised by attendees, with roles ranging from compliance leads to senior executives.

The discussion revealed a landscape characterised by uncertainty, challenges, and a growing imperative to prioritise the needs of vulnerable customers. With over 200+ questions received prior to the session, participants expressed concerns about meeting the Financial Conduct Authority's (FCA) expectations, accurately understanding and identifying vulnerable individuals, and implementing effective support strategies.

Key themes emerged from the discussion:

Understanding and addressing regulatory expectations: firms sought clarity on the FCA's specific requirements regarding vulnerability, particularly for small firms. The panel emphasised the need for guidance and best practices to navigate the complex regulatory landscape.

Understanding and identifying vulnerable customers: participants highlighted the difficulties in accurately identifying vulnerable customers, especially those who may not self-identify. Effective identification methods, including data analytics, surveys, and interviews, were discussed.

Effective training: the importance of robust training for staff was emphasised as a crucial component of supporting vulnerable customers. Panellists stressed the need for training that focuses on developing competence that is integrated into daily work practices.

Measuring outcomes: participants sought guidance on how to effectively measure the outcomes of their efforts to support vulnerable customers. This includes collecting and analysing data on customer experiences, satisfaction, and financial wellbeing.

Quality of vulnerability assessments: the panel discussed the essential elements of a good vulnerability assessment, including comprehensiveness, sensitivity, and the ability to identify a range of vulnerabilities.

Supporting vulnerable clients: participants explored strategies for providing effective support to vulnerable clients, such as tailored communication, flexible payment options, and access to additional resources.

The discussion began with a recognition of the complexities surrounding vulnerability. Panellists emphasised the need for firms to understand the fundamental concepts and navigate the regulatory landscape effectively. Andrew noted that: "A lot of people are clearly just starting on their journey" and, whilst they may be behind the curve, he reminded firms that it is "important to remember that you're not alone. There's lots of people in the same boat."

> A lot of people are clearly just starting on their journey. It's important to remember that you're not alone. **There's lots of people in the same boat**.

Adrian noted that he was concerned by the remedial nature of some of the questions, suggesting that many firms were still grappling with the concepts of vulnerability. Mark stressed the importance of organisational culture and observed that, while some sectors might appear more advanced, the level of preparedness ultimately depends on the individual organisation.

> There's a lot of ambiguity. The FCA say they're being flexible. We say they're ambiguous. **So it's understanding why certain firms are behind the curve than others**.

Martin articulated the frustration with the regulatory landscape surrounding consumer vulnerability for many firms. "The FCA's approach," he remarked, "while intended to be flexible, often feels ambiguous, leading to confusion and uncertainty among firms."

A question was then posed as to why some firms seemed to be lagging behind others in their efforts to address vulnerability. "It's about understanding the fundamentals," Martin explained. "The foundation of effective vulnerability management lies in data architecture. Once firms have a solid grasp of their data, they can better identify, assess, and support vulnerable customers."

Andrew further explored the principle-based nature of the Consumer Duty, agreeing with Martin that, whilst flexibility provides opportunities for firms to tailor their approaches, it introduces ambiguity and uncertainty by its nature. He explained that many firms, who initially focused on fair value assessments at the beginning of their Consumer Duty journey, are now only recently realising the complexities of addressing and implementing effective ways to handle vulnerability. In conversations with the regulator, Andrew noted that "the lack of progress in this area has puzzled the FCA", particularly in light of statistics suggesting that a significant portion of wealth managers (circa. 50%) believe they have no vulnerable customers. This discrepancy is 'alarming' and highlights the need for a more nuanced understanding of vulnerability and the importance of proactive identification and support.

He then provided valuable insights into the FCA's approach towards small firms – a leading theme from questions submitted by firms. He explained that the regulations governing vulnerability can be boiled down to four essential points:

Understand and mitigate harm for vulnerable individuals: this involves identifying vulnerable customers and taking steps to protect them from financial harm.

Monitor consumers throughout the product service lifespan: firms must track customer interactions and assess their vulnerability status over time.

Report on vulnerable cohorts: firms are required to report on the outcomes for vulnerable customers as part of their Consumer Duty reporting.

Maintain evidence: firms must document their efforts to understand, monitor, and support vulnerable customers.

Andrew stressed that while the FCA may offer flexibility, proportionality does not mean that small firms can neglect their obligations towards vulnerable customers. He clarified the importance of understanding and addressing the needs of all customers, regardless of their size or complexity.

Martin reiterated the importance of understanding the FCA's expectations regarding vulnerability reporting. He recounted a conversation with the regulator where he enquired about the minimum viable requirements for reporting. The FCA's response was unequivocal: there is no minimum viability. Firms are expected to have fully implemented FG21/1: Guidance for firms on the fair treatment of vulnerable customers into their framework. Martin also expressed the FCA's frustration at the lack of alignment to the guidance from firms and stated that the FCA's stance underscores the importance of treating vulnerability as a critical priority, demanding a thorough and comprehensive approach.

Adrian then discussed the crucial role of effective training in achieving adherence to the Consumer Duty and meeting the needs of vulnerable customers. "Many firms," he noted, "have approached vulnerability from a purely desk-based perspective, focusing on processes, procedures, and product design. While this is important, it's only part of the equation."

We all know that training in and of itself does not move the dial. We know that when we just train employees it rarely affects business outcomes. We have to do way more than train. And I see far too many of the questions relating to training and components of training. **The outcome that you should be focused on is in-role competence. It is very different. Training is a component of in-role competence. But very few firms measure competence.**

> I think some firms will scrape through on July board reports on anecdotal changes that they've stumbled across. *'Oh my God, I can't believe we did it this way. Let's change it.'* That's not data led. And the FCA will see it's not data led. **So, the biggest thing they have to do is start to look at what data can do for them as they drive their strategy forward**.

Get out there more. Go and see what other people are doing. There are many avenues to developing your understanding across your organisation of vulnerability and what you can do about it.

Adrian highlighted the critical juncture where the rubber meets the road: the point of interaction between consumers and employees. “At this stage,” he explained, “an effective and authentic Training and Competence regime is necessary.”

He explained that many firms are prioritising training over competence. “Training per se rarely affects business outcomes,” Adrian warned. “It’s a component part of in-role competence.” He emphasised the need for a more strategic approach, one that focuses on ensuring employees have the competence they need to effectively support vulnerable customers.

Adrian shared anecdotes of senior managers and C-suite executives expressing frustration with the perceived burden of training. “They often express concerns about compliance fatigue and the belief that training isn’t working,” he said. However, Adrian countered that the problem lies not in the training itself, but in the lack of focus on developing evidenced competence. “Firms need to find a smarter way,” Adrian concluded. “A way that ensures employees are not only trained but are also competent in their roles, capable of delivering exceptional service to vulnerable customers.” Mark reminded firms that culture is the foundation upon which everything else is built; how it sets the tone for how employees interact with customers, how decisions are made, and how priorities are set. Mark argued that a culture that values empathy, understanding, and respect for all customers is essential for creating a supportive environment for vulnerable individuals. He stressed that without a strong cultural foundation, even the best policies and procedures may fall short in delivering meaningful support.

As the webinar drew to a close, the panel of experts offered practical advice for firms seeking to improve their practices in this critical area.

Mark emphasised the importance of learning from others. “Get out there more,” he advised. “Explore what other firms are doing to address vulnerability. There are many avenues to develop your understanding and identify effective strategies.”

Martin highlighted the need for a data-driven approach. “The big thing for me is, I think some firms will scrape through on the July 2024 board reports on anecdotal changes that they’ve stumbled across. *‘Oh, my God, I can’t believe we did it this way. Let’s change it.’* That’s not data led. And the FCA will see it’s not data led. So, the biggest thing firms have to do is to start to look at what data can do for them as they drive their strategy forward and improve the lives of customers.”

Andrew pointed out the potential limitations of existing systems. “Don’t be afraid to explore the marketplace,” he advised. He explained that firms are often “restrained by looking at their existing systems” and that they often have “no concept of the art of the possible.”

Finally, Adrian emphasised the importance of supporting staff. “Ask yourself,” he suggested, “are you providing the necessary support for your staff to deliver against this challenging regulation? If not, it will be obvious to the FCA.”

The webinar, held on August 14, 2024, addressed critical aspects of customer vulnerability. [The full recording is accessible here].

Six key takeaways for firms

1

Prioritise understanding and addressing the needs of vulnerable customers: this involves recognising the diverse range of vulnerabilities, such as financial health, social and emotional, and tailoring your approach accordingly.

2

Create a supportive culture within your organisation: foster a culture of empathy, understanding, and respect for all customers, regardless of their circumstances.

3

Invest in effective training and competence development for staff: ensure that your staff have the knowledge, competence, and confidence to identify and support vulnerable customers.

4

Use data to inform your strategies and measure outcomes: collect and analyse data to identify trends, assess the effectiveness of your interventions, and make data-driven decisions.

5

Collaborate with other firms, industry bodies, and regulators to share best practices and learn: building partnerships can help you stay informed about regulatory changes, industry trends, and emerging best practices.

6

Continuously evaluate and improve your practices to meet the needs of vulnerable customers: vulnerability is an evolving landscape, and it’s important to remain adaptable and responsive to changing needs.

1

Data, Management Information (MI) & Systems

The identification and support of vulnerable customers is a paramount responsibility for financial firms. To effectively achieve this, robust data management, information, and systems are essential. Responses to questions here reflect the critical themes of data collection, management information (MI), and the application of technology, particularly Artificial Intelligence (AI), to identify and support vulnerable customers.

We explore the most reliable tools currently employed to flag vulnerability, the MI expected to be collected and reviewed for successful customer support, and the potential benefits and challenges associated with AI in this context. Additionally, we discuss the data protection considerations that must be carefully navigated when using AI for vulnerability identification.

Artificial Intelligence (AI)

Q

Please could you share any experience or thoughts you have on the use of AI to identify vulnerable customers. What kind of data protection considerations do you think apply when using AI in this manner?

Complaint Manager, Retail Banking

A

The use of AI is a significant topic. While general-purpose AI models like ChatGPT can be employed as general aids, such as in voice analytics, there is currently a lack of reliable vulnerability data to train AI models effectively. This limits their ability to accurately predict potential vulnerabilities. Socioeconomic models, while helpful in identifying areas with higher concentrations of vulnerability, cannot provide individualised assessments.

Stating that someone has a greater risk of developing cancer, for example, offers limited utility. When engaging with vulnerable consumers, accuracy is paramount, and misidentification can have serious consequences. While AI models trained on robust vulnerability data hold promise for the future, we are sceptical of claims that they can accurately predict vulnerability at present.

Management Information (MI)

Q

What MI is expected to be collected and reviewed in order to be successfully supporting vulnerable customers?

Compliance Officer, Other (Sector)

A

There is no specific set MI specified by the FCA. The acid test is to be able to understand the outcomes for each vulnerable cohort compared to the resilient. However, this may take some time to play out.

Hence, firms can understand the prevalence and severity of each characteristic of vulnerability, what mitigating strategies are put in place and how these are taken up. For example, a potential harm is not having a will in retirement, but it will be many years until the actual outcome can be measured. We can measure how many customers have a will, how many we tried to engage to acquire a will and how many then subsequently obtained a will. Firms can undertake surveys as an interim measure to understand the outcomes of present customers and the outcomes for those cohorts with characteristics of vulnerability.

As absolute numbers of vulnerable characteristics are difficult to measure, we think benchmarking will become very useful for comparing offices, products and market sectors. The simplest benchmark is the proportion of customers identified as vulnerable – as we know the mean in the population is around 50%. Consumer Duty requires firms to monitor how they are complying with the Equalities Act, which means they need to understand the proportion of customers with protected characteristics. This may be incorporated with vulnerability MI.

Systems

Q

What are the most reliable tools currently being used to flag vulnerability?

Auditor, Other (Sector)

A

There is a lot of data that needs to be captured, processed, and recorded, and to be kept potentially over many years, and in accordance with GDPR.

We think dedicated vulnerability technology is absolutely required to do this. A tick box on a CRM system or drop-down list of vulnerabilities will not be sufficient. There are many data players saying they can identify vulnerability, but the reality is they are limited to financial data. There are voice analytics systems, but these are limited to customers who phone in. As we know 50% are vulnerable, the only reliable approach is to attempt to assess 100% of clients in order to identify the 50%.

Firms have the choice to build their own systems or purchase vulnerability technology like MARS off the shelf. Many existing systems are product-specific and, while adding vulnerability functionality may go some way to solve short-term issues, if the data cannot be shared across the firm or with others in the distribution chain, then they are unlikely to meet the needs over the medium to long term.

2

Engaging with Customers About Vulnerability

Questions here explore the themes and challenges associated with identifying and supporting vulnerable customers, focusing on areas such as data management, customer categorisation, and proactive identification strategies.

We discuss the implications of labelling customers based on vulnerability descriptors, the role of age in vulnerability assessment, the challenges of identifying vulnerability in non face-to-face business models, and the importance of consistency and sensitivity in vulnerability identification and support. Additionally, we discuss the ethical considerations of evidencing vulnerability and the practical steps firms can take to provide personalised support to vulnerable customers.

Characteristic or need

Q

Would it be better to identify specific customers' needs than to focus on vulnerable characteristics (which risks generalising and making assumptions)?

Programme Director, Consumer Investments

A

Our panel has different views on whether to record the characteristics of vulnerability or the need to overcome the vulnerability. The argument for just collecting the need is: (a) it is all the firm needs to know at that time; (b) it avoids any subjective assessments; (c) it avoids issues in recording sensitive personal information in systems; and (d) it relieves individual staff members from having to understand complex medical conditions or circumstances.

The argument for recording characteristics is: (a) in order to monitor over the lifetime of the product – assuming this is years – then the characteristics may change; the product the firm is offering may be different. For example, a firm recording 'have a face-to-face meeting' could be for a large number of reasons, and without knowing these reasons, the firm may miss a future action that puts the consumer in harm; (b) the firm may develop other mitigation strategies over time that can be applied; (c) the consumer may not know what mitigating options are available; (d) often customers won't know the implications for financial products, e.g. bereavement and divorce; (e) firms need to understand the outcomes for different cohorts of vulnerable consumers, which are best understood at a characteristic level rather than at a need level. Ideally, firms are recording the characteristic, its severity, the service/product of concern, the mitigating strategy they put in place, and if this was taken up. The answer is probably that both characteristics and needs are best recorded, so all the angles are covered.

Consistency of data

Q

How do we get consistency of definitions for vulnerable customers?

Senior Credit Risk Manager, Consumer Finance

A

We think all firms need an objective method that defines all characteristics and their severity so that all staff can understand the issues, otherwise, if left to individual assessments and opinions, there is no consistency, and it is near impossible to monitor over time. Equally, without a consistent way to record the data, it becomes very difficult or very manual and expensive to produce good management information (MI).

Conversations on this sensitive topic

Q

Some customers have been known to take exception to the phrase 'vulnerable' and don't agree that they are – even if (what may be deemed to be a vulnerability) has been identified at the outset of the business relationship. How does the panel feel this could be dealt with?

Director, Consumer Investments

A

You may need specialised training to assist with this. We would avoid labelling anyone as vulnerable and instead focus on understanding your customers and working with them to overcome any characteristics of vulnerability. Approaches that may be more appropriate are "We want to understand your personal circumstances so we can better understand you and serve you appropriately," or simply "Are you okay?"

Example questions

Q

Do you have any example questions that we can ask clients?

Anonymous

A

We (MorganAsh and FWD Consulting) have a variety of questionnaires: short ones, long ones, and options for different types of firms. Creating questions is relatively straightforward, but categorising the answers and providing an objective assessment to ensure consistent results is more challenging.

Granularity & severity

Q

Should we categorise severity? We are recording comments to detail the nature of the vulnerability alongside the four high-level categories, but we are not flagging the severity as a distinct field in our monitoring.

Anonymous

A

Firms need to understand consumer characteristics or their needs in sufficient granularity and severity in order to be able to mitigate any issues and to monitor these over the lifetime of the product. This means you need to be able to capture and record far more detail than just 'vulnerable' or the four FCA categories. Vulnerability can be broken down into its constituent parts – the consumer characteristics which are specific of the consumer and the interaction with the firm. It is the combination of these two aspects that may lead to a potential harm.

How to identify with high volume digital channels or none advised

Q

How do you identify individual vulnerable customers when you are onboarding thousands of customers each month?

Compliance, Consumer Finance

A

The requirement to understand the consumer, treat them appropriately, and monitor them throughout the lifetime of the product applies to all retail customers, including those who interact through digital channels. This may necessitate modifications to existing customer journeys. Digital channels can utilise digital questionnaires, and there are firms that have successfully implemented this approach. It is quick, effective, and cost-efficient. There is a debate regarding the accuracy of disclosure from different channels, and it is likely that this will become better understood with benchmarking between channels, firms, and sectors.

How to identify with no direct customer contact

Q

What is a practical way to proactively identify vulnerabilities in a non face-to-face, execution-only business model (where there may be no direct contact with a large proportion of customers)?

Head of Compliance, Consumer Investments

A

All regulated firms must understand the customer, treat them appropriately, monitor them throughout the product's lifecycle, and analyse the outcomes for vulnerable cohorts. Therefore, firms need methods to acquire this information. This responsibility can be undertaken by the intermediary or the manufacturer; it does not matter who does it. However, we are aware that some firms are hoping the other party will handle this without even discussing it! This will necessitate significant process changes for certain firms and may require increased cooperation between the involved firms. Ultimately, the purpose of Consumer Duty is to prevent products from being sold without considering the customer's suitability. The responsibility now lies with the firms, not the consumer.

Insistent clients

Q

What would you say is reasonable / best endeavours to support a customer potentially showing signs of vulnerability that will not confirm they have?

Compliance Advice Manager, Consumer Finance

A

Our view is that firms need to take reasonable steps to prevent adverse outcomes. We also believe that such occurrences are less frequent than people anticipate. Firms may already have robust client processes in place that can serve as a good starting point. However, the specific steps may vary depending on the product, distribution channel, and potential harm associated with the product. Firms may consider using medical specialist services when dealing with customers with mental health issues.

> “All regulated firms must understand the customer, treat them appropriately, monitor them throughout the product's lifecycle, and **analyse the outcomes for vulnerable cohorts**.

Labelling consumers as vulnerable

Q

What are the implications of adding a vulnerability descriptor field to a customer's file for MI purposes? E.g. 'mental health concerns', 'language barrier', etc. Would this be seen as 'labelling' a customer, even if the information were just used for reporting / making strategic service improvements?

Conduct Analyst, Other (Sector)

A

We believe it is too risky to make subjective assessments and label customers as vulnerable or not. Our recommendation is to capture the characteristics of the consumer and their severity. This is factual information. We consider vulnerability to be a spectrum rather than a binary yes or no issue.

Labelling someone as vulnerable or not is overly simplistic and open to challenge. We think firms should use an objective assessment of characteristics, an objective recording of their severity, and an objective methodology to do this consistently across the firm. This avoids the risk of labelling and provides a consistent record for MI purposes.

Personalisation

Q

A lot of the Consumer Duty seems to require personalised solutions to consumers who might be experiencing vulnerability. Since there also seems to be less face-to-face (or one-to-one) time that financial institutions can dedicate to their consumers, how does the panel suggest institutions tackle this need for personalisation?

Lecturer in Personal Finance, Other (Sector)

A

There are essentially two approaches to supporting vulnerable consumers: (a) inclusive design, providing the same service to all, or (b) personalisation, providing specific mitigating services to those who need them. In practice, both approaches have their place. We believe that supporting vulnerable customers will increasingly involve personalised services.

Currently, personalised services are primarily provided by humans, but there has been a shift toward standardised services offered through digital channels in recent years. The next stage will likely be personalised services provided digitally with the option of human support, known as digital personalisation. This will become a differentiating factor for firms. Achieving this won't be easy, as current chatbots are generally limited, but they will improve, and AI will play a role in this progression.

Simple categorisation approaches

Q

Should a client be categorised as vulnerable due to old age even if they are mentally sound?

Compliance Associate, Consumer Investments

A

We believe a good approach is to assume all customers are vulnerable until there is evidence to demonstrate otherwise, rather than assuming they are resilient until a vulnerability is identified. Individuals who are older, in debt, or seeking credit are likely to be vulnerable. We know approximately 50% of consumers are vulnerable, so identifying this 50% is a starting point. However, this information alone is insufficient to understand how to address their issues. Firms require detailed information to implement appropriate mitigation strategies. Simply classifying customers as vulnerable, with poor capacity or resilience, is overly simplistic.

Evidence required

Q

Evidencing vulnerability – can this ever be an option and what is reasonable if so?

Auditor, Other (Sector)

A

Firms must document evidence that they have attempted to assess vulnerability. This is not optional. Even if the consumer has not engaged, it is important to have a record of your efforts. In the event of a claim or dispute, this evidence will be crucial. The recent FCA report made it clear that a lack of evidence was a significant issue.

When to identify vulnerability

Q

How is vulnerability handled at onboarding?

CCO, Payment and Digital Assets

A

Ideally, firms should identify customer vulnerability before the consumer commits to a transaction. This can be done after a sale, as long as mitigating processes can be implemented and the transaction can be reversed. For existing clients, this is not possible, so firms are implementing either a bulk approach, at the next opportune interaction point with the customer, or a combination of both. We believe the FCA is seeking plans and progress on this, such as a plan to engage with all customers during annual reviews with the aim of assessing all customers within the next year. We are aware of some mortgage firms that are assessing identity as part of terms and conditions prior to engaging with customers, but this is just one approach. We know many firms are hesitant to interrupt smooth sales processes for fear of reducing sales, but all evidence suggests that this fear is unfounded in practice.

3

General Data Protection Regulation (GDPR) & Data Sharing

As FCA-regulated firms strive to uphold the Consumer Duty, the intersection of GDPR and data sharing presents a complex landscape. The questions raised here spotlight the challenges of obtaining explicit consent for recording customer vulnerabilities and the potential advantages of sharing vulnerability information with debt collection agencies (DCAs) to ensure timely support.

Balancing the need for data privacy with the imperative to provide effective assistance to vulnerable customers is a critical task that requires careful consideration and adherence to both regulatory frameworks.

GDPR & explicit consent

Q

Please discuss the topic of “explicit consent” and what would be considered acceptable “explicit consent” in order to record a customer vulnerability?

Complaints Handling Associate, Other (Sector)

A

Health information is special category data under GDPR and must be managed as such in accordance with GDPR. It depends on the nature of the firm which GDPR permission can be used. Most finance firms we expect will use explicit consent. Utilities, and we believe some banks, can use Substantial Public Interest (SPI).

We consider that consumers’ explicit consent must be recorded, at least to protect the firm in any dispute. To comply with GDPR, the vulnerability systems must be able to: (a) produce the data stored upon request to comply with subject access requests; (b) be able to delete the data upon request from the customer; and (c) processes should be in place to only share the data at an appropriate level to the appropriate people in the firm, hence some form of coding may enable this. So long as you are using the data for the purposes of understanding and protecting your client, I don’t think this can be deemed as excessive. Our understanding is the ICO does not want GDPR to be used as a barrier to people understanding vulnerability.

Sharing data

Q

Do you think more should / could be done to encourage creditors to share vulnerability information when passing accounts to a DCA? This enables the DCA to provide the required support from the start.

CX Manager, Consumer Finance

A

Consumer Duty requires firms to monitor vulnerability over the lifetime of the product. Often this involves several parties, i.e., intermediaries and manufacturers.

The FCA does not specify we should share data between the firms, but it seems to us this is the most economical and best customer journey in many cases in a distributed value chain. Utility firms are already sharing vulnerability data, and the government is trying to progress the sharing of vulnerability data between them.

The FCA is becoming interested in this as part of the UKRN, as the consumers for utilities and financial services are the same. We see this as the logical progression, although it will take a few years to develop. For now, we would focus on how you monitor over the lifetime of the product and encourage advisers to share the vulnerability assessment with their manufacturers.

4

Understanding & Identifying Vulnerable Customers

As FCA-regulated firms navigate the complexities of the Consumer Duty, accurately identifying and supporting vulnerable customers is a critical responsibility.

The questions raised here spotlight the challenges of defining a precise percentage of vulnerable customers within a firm's client base, implementing effective identification and monitoring methods, understanding the impact of the Consumer Duty on vulnerability assessments, and differentiating between a customer's inherent vulnerability and the experience of a poor outcome. Addressing these challenges requires a nuanced and proactive approach that ensures vulnerable customers receive the appropriate support and protection.

Different methods to identify vulnerability

Q

What are the different methods of identifying and monitoring vulnerable customers?

Head of Risk & Governance, Other (Sector)

A

At a firm level, firms can undertake surveys, (often anonymous) to understand the prevalence of vulnerabilities across their target market. At the individual level, there are multiple ways to identify vulnerability.

Methods can be classified as ‘direct’ or ‘indirect,’ with ‘direct’ being direct conversations with consumers, and ‘indirect’ methods using other data sources, i.e., credit reference data and open banking data.

There is good data available on financial vulnerability but this lacks on health and lifestyle issues. The ‘direct’ approach of asking consumers is working well. The second way to classify methods is if they are proactive to cover all customers or just reactive and only covering a subset of customers. Typical reactive approaches include voice analytics, human assessment in call centres which only identify those customers calling in or customers volunteering information. Firms are likely to use multiple methods over the lifetime of products and different opportunities for customer interactions, i.e., onboarding, claims, complaints, etc. Too many firms are presently relying on a single or few method(s) which are lacking coverage and hence only identifying single-figure proportions of vulnerable customers.

Firms need to fulfil the requirement from FG22/1 Vulnerability Guidance to ‘understand the nature and scale of characteristics of vulnerability that exist in the firm’s target market and customer base’. However, without greater guidance, there is already potential for misunderstanding and missteps.

One of the biggest misunderstandings comes from the conflation of the words ‘understanding’ and ‘identifying’ when discussing vulnerable customers. They have very different meanings and outcomes but seem to be used interchangeably by firms implementing FG21/1 and consultants who are assisting them.

Understanding vulnerable customers (top-down approach):

- **Understanding vulnerable customers is a strategic requirement** which requires a holistic understanding that quantifies how prevalent vulnerability is within a customer base and accurately identifies the characteristics of vulnerability that impact customers' lives. This is achieved through a survey using a representative sample of a firm's customer base. The FCA conducts its own top-down survey to monitor vulnerability through Financial Lives (the source of the much-quoted '47% of all UK adults are vulnerable'). The strategic insights generated through the top-down approach allow firms to develop informed vulnerable customer strategies. This top-down understanding also provides the map firms then use to identify customers with vulnerabilities. Generally, top-down surveys should also measure and monitor customer outcomes, so that firms can evidence to the FCA that vulnerable customers are experiencing the same outcomes as non-vulnerable.

Identifying vulnerable customers (bottom-up approach):

- **Identifying vulnerable customers is an operational requirement**. As firms interact with their customers, they have an obligation to record any vulnerabilities volunteered or collected through individual customer assessments the firm initiates. Firms should then use this information to tailor products, services, and communications to meet individual customer needs, i.e., where a customer reports they have poor eyesight, the firm should offer communications in larger font etc. In some instances, a bottom-up approach can be used to evidence vulnerability understanding.

> **Understanding vulnerable customers is a strategic requirement** which requires a holistic understanding that quantifies how prevalent vulnerability is within a customer base and accurately identifies the characteristics of vulnerability that impact customers' lives.

The approach firms use to understand vulnerable customers will depend on two factors:

- **The proportionality rule:** the FCA has often cited that smaller firms are not expected to undertake the same activities as larger firms, either because they do not have the resource, or the activity isn't appropriate for them. This rule applies to whether a firm should conduct a top-down survey to understand vulnerability. A small advisory firm with only a few hundred clients, can and should simply collate the individual vulnerability identification data they have gathered through formal assessments or conversations with their clients. Whereas a larger firm, with several thousand customers, should consider a top-down survey.

- **Whether bottom-up identification data is robust enough to provide a reliable understanding of vulnerability:** over time, large firms will be able to use bottom-up identification data to evidence their understanding of vulnerable customers. However, this will only be possible when most or all customers have been individually assessed, which, for most large firms, seems unlikely to happen in the short to medium term.

What we see happening now is larger firms relying on a bottom-up approach to evidence understanding are still reporting single figure % of vulnerable customers. This low identification of vulnerable customers is due to many issues, including a) firms being reactive, b) firms relying on customers to volunteer information, c) only recording vulnerability when a customer changes something, and d) not wanting the paperwork or to hold up sales.

The result is that firms report to the FCA they only have c. 3% vulnerable customers when the FCA knows it should be closer to the UK average of c. 47%. What these firms should be telling the FCA is that *'so far, we have only identified 3% of our customers as vulnerable'*. We therefore need to acknowledge that until a bottom-up approach to identifying vulnerable customers is sufficiently embedded, and a significant proportion of customers have been assessed, it is a poor substitute for top-down understanding.

To be compliant with FG21/1 Vulnerability Guidance and FG22/5 Consumer Duty, larger firms should conduct both 'top-down' surveys to understand vulnerability and 'bottom-up' identification of vulnerable customers.

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How to identify vulnerability

Q

How can we identify how many of our customers are vulnerable?

Compliance Manager, Consumer Finance

A

As we know around 50% of consumers are vulnerable – and we don't know which ones, we consider best practice is to attempt to assess all customers in order to find the 50%. The most cost-effective method – and the only full-proof method to identify the 50% – is to actively engage directly with the consumer and ask them.

Firms are starting at different customer engagement opportunities, including claims, complaints, onboarding, or reviews, with the intent to get full coverage of the vast majority of customers over time. This proactive and direct approach is identifying around 50% with good customer engagement.

Many firms are fearful that a direct approach will hold up the sale or be too invasive. In practice, this is not the case, although it does depend on the methods and communications adopted. This method can identify temporary and permanent characteristics and needs, and the severity of the characteristics.

Reactive or active engagement with consumers

Q

How proactive with clients classed as vulnerable is the FCA expecting firms to act?

Senior T&D Manager, Other (Sector)

A

Too many firms have been reactive in collecting vulnerable information – relying on consumers to volunteer the information, just picking up vulnerability through phone calls either manually or via voice analytics or relying on individual staff to make judgments if the consumer is vulnerable or not. These approaches typically result in single-figure proportions being identified.

Firms need to actively engage with all customers to understand their characteristics and to locate the 50%. This works well and is reporting around 50%. We do recommend detailed surveys of customers covering all types of vulnerabilities – it works well.

Note that the FCA has recently updated its guidance to say firms must "actively engage" to understand customers' vulnerability. How much engagement is appropriate will depend on the outcomes for the cohort of the vulnerable. If it turns out, for example, that divorcees are receiving bad outcomes, and divorces are not being identified earlier, then firms should look to how they could improve the identification of this particular cohort to reduce poor outcomes. Equally, if a vulnerable cohort is not receiving bad outcomes and not being identified earlier, then there is no need to change the process.

Should all customers be assessed?

Q

How does the Consumer Duty impact on the definition and identification of vulnerable customers? Should all customers go through an initial assessment?

Compliance Manager, Consumer Finance

A

We believe the most practical and economical way is to assess all customers in order to identify the 50%. Unfortunately, there is no other way to obtain information on health and lifestyle at present at the level of detail required. The FCA is most interested in preventing bad outcomes, but if firms can't identify the vulnerable in the first place, they are unlikely to be treating them appropriately.

> "Too many firms have been reactive in collecting vulnerable information – relying on consumers to volunteer the information, just picking up vulnerability through phone calls either manually or via voice analytics or relying on individual staff to make judgments if the consumer is vulnerable or not. **These approaches typically result in single-figure proportions being identified**.

Transient & permanent vulnerabilities

Q

The FCA expects at least 50% of a firm's customers to be vulnerable at any time. Some customers will be vulnerable during the entire relationship they have with a firm, others will be transient vulnerable customers, for example: when they have made a complaint and have experienced a financial loss. What is the distinction between a customer being 'vulnerable' and a customer receiving a poor outcome of which they are being remediated?

Compliance Officer, Retail Banking

A

We know the mean is around 50% and this includes both transient and permanent vulnerabilities. Equally this definition is too simplistic. For example, a person's hearing will reduce with age. Trying to put this as vulnerable, temporary or permanent is too simplistic.

We have 80 characteristics, and each has a severity rating from 1-10 and an indication if this is likely to get better or worse. Others may have different methods to measure and record this. Without something comprehensive and detailed there is no consistency, and it is very hard to have good MI and reporting.

Understanding that 50% of consumers are vulnerable

Q

Please could you cover the FCA's view on % base that might be vulnerable?

Chair, Consumer Investments

A

We know around 50% of consumers are vulnerable at any one time. We know this from the FCA's Financial Lives Survey, from the utility industry and from financial services firms who are assessing everyone and reporting similar proportions.

Many firms are only reporting single-figure proportion of vulnerable customers. There are various reasons for this: they are being reactive and only collecting data from consumers volunteering information; they are only recording through limited channels, i.e., through phone calls or just at the claim stage; they are leaving the assessments to individuals who often default to record only when they have to change their processes, or under-report for fear of interrupting the sales process; they limit to financial vulnerability and don't have the means to identify health and lifestyle issues; and they don't record mild vulnerabilities.

The 50% includes all vulnerabilities – including health and lifestyle issues as well as financial – and includes severe, mild, temporary and permanent issues.

5

Measuring Outcomes

As FCA-regulated firms strive to meet the stringent requirements of Consumer Duty, effectively measuring outcomes for vulnerable customers becomes paramount.

Discussion topics here explore the challenges and best practices in this area, drawing insights from industry experiences and addressing common questions. By understanding how other firms are measuring outcomes, identifying appropriate metrics, and defining success for vulnerable customers, firms can ensure they are delivering the highest quality of service and meeting their regulatory obligations.

Measuring vulnerability outcomes

Q

How can we measure vulnerability outcomes?

Head of Governance & Assurance,
Other (Sector)

A

The acid test is: are vulnerable cohorts of consumers receiving better or worse outcomes than the resilient? Firms need to be able to evidence this.

If firms do have the evidence that all vulnerable customer types are not getting worse outcomes, then they don't need to change their processes. However, all the evidence from charities and disability groups indicates that vulnerable cohorts do get worse outcomes. If you haven't identified vulnerable customers, it is virtually impossible to monitor the impact of what you do. It is very difficult to observe behavioural differences, etc. You can gather anecdotal insights from staff who interface with customers. However, it's not a reliable approach to measuring outcomes as it's not easily quantified. You need good reliable data to measure and analyse the correlation of vulnerable customers and outcomes.

Practically, there are two options to include vulnerability data in outcome monitoring: (a) firms can undertake surveys assessing vulnerability and outcomes at the same time. Or (b) collate the data from the individual vulnerability assessments, and cross-reference this with outcome data. The survey option (a) can be undertaken now and relatively easily, while the second option (b) requires the collection of individual customer characteristics in a standard format so it can be correlated with the outcome data. Both methods may be used. Firms might start with method a while they build up data for method b.

Outcomes are all relevant – customers in debt, for example, probably all start as vulnerable and end as vulnerable – it is not the label of vulnerable that is important, but has the consumer benefited from the product / service or ended up worse? If technology is used as part of the vulnerability identification process to store the data in a structured format, then MI can be automated, making this very quick and efficient.

Measuring outcomes

Q

I would like to understand how other firms are measuring outcomes.

Investment Director, Consumer Investments

A

There are multiple ways to assess outcomes. These may include routine monitoring, one-off or routine surveys, and focus groups for deep dives. Some measures can be done with data while others will require feedback from the consumers themselves.

Measuring outcomes is different to measuring customer service, so Net Promoter Scores and Trustpilot-type measures, while all good, are not measures of outcomes. Claims and complaints are good sources – but not enough on their own. The FCA has repeatedly communicated that firms are likely to need new data points and using previous MI alone is unlikely to suffice.

It is highly likely that firms will use a combination of measures and data to build up the picture. Equally, the aim is to keep improving, so once one area of bad outcomes is reduced, the measures may be changed to examine other areas in more detail. When outcomes may not materialise for many years - i.e., retirement, investments - then proxies or benchmarking may be appropriate. For example, if they have a will in place, rather than waiting for a bad outcome when there is no will when the customer passes away.

Ensuring the right outcomes

Q

How do you identify what is the right outcome for a vulnerable customer? For example, if a process can't be changed, is clear communication to ensure understanding enough?

Customer Experience Manager, Other (Sector)

A

The whole aim of Consumer Duty is to reduce poor outcomes for consumers. Firms must not only measure these but also put in place strategies to minimise poor outcomes. This may well require some changes in systems, who firms work with, and how products are sold – there should be no limit to changes to reduce poor outcomes.

This should be an ongoing process with, ideally, the worst / poor outcomes attacked first and so on. This may take some time – and we understand the FCA is looking for (a) an honest understanding of the issue supported by good data and (b) plans to improve things. The recent report by the FCA on Consumer Duty Board Reports was not very complimentary, and we expect the FCA to start using its powers to force the issue.

6

Monitoring Over Lifetime of Products

In the context of Consumer Duty, firms are obligated to ensure that vulnerable customers are not treated unfairly or disadvantaged. A critical aspect of this obligation is the continuous monitoring of products and services throughout their lifecycle.

Questions here discuss the challenges associated with monitoring consumer understanding, intermediary and manufacturer interactions, and the frequency of monitoring. We also explore practical methods for reviewing and demonstrating customer vulnerability within annual review processes, particularly for firms that do not have direct contact with end investors.

Consumer understanding

Q

We are a small company, often with no budget for user testing or setting up a panel of users to test our services with. If we take consumer understanding as an example, what alternative ways are there to test communications in this instance to ensure that all sections of our target market, including vulnerable customers, can understand the services?

Compliance Officer, Other (Sector)

A

Consumer understanding is best understood through surveys of customers after purchase / services. This can be done in a number of ways. NB. This is very different from customer satisfaction surveys.

Intermediary & manufacturer interaction

Q

Product manufacturers only engage distributors to sell and never face the end investors directly. How could such customer vulnerability be monitored?

COO, Other (Sector)

A

Intermediaries and manufacturers need to agree who has the responsibility to monitor the consumer over the lifetime of the product. This can be the intermediary or the manufacturer. In the case of the manufacturer taking over the monitoring obligation, then there is a choice if they undertake their own vulnerability assessment, or they obtain this information from the intermediary – assuming the intermediary undertook this at the point of sale.

In addition, all regulated firms need to understand the outcomes for vulnerable customer cohorts. Again, this may be undertaken by the manufacturer or the intermediary, or they can share this information. Our observation is that both parties are waiting for the other to progress this.

Q

How can customer vulnerability be reviewed and demonstrated as covered by a firm's annual review processes?

Conduct Risk & SMCR Manager, Retail Banking

A

How frequently you assess vulnerability depends on the product and the potential for poor outcomes. There is no fixed term. For routine checking, annually seems sensible for most products and a good starting point, but it will be less for short-term loans and may be longer for fixed-term mortgages, for example.

Lifestyle issues like bereavement, divorce, or change of job may trigger more frequent reviews. As firms need to monitor over the lifetime of products / services, it makes sense to maintain the vulnerability data over the same period.

7

Risk Management

In the context of Consumer Duty, firms are obligated to manage risks that could disproportionately harm vulnerable customers.

Questions here explore the specific challenges faced by small firms, particularly those operating solely online. We discuss the need for proportionality in risk management approaches, the potential for disengagement and discrimination, and the importance of fair value assessments. Additionally, we examine the implications of fraud and consumer exploitation, corporate risk, and the expectations for Consumer Duty oversight from an investor or owner perspective.

Corporate risk & fair value assessments

Q

What are expectations for Consumer Duty oversight from an investor or owner perspective to mitigate reputational risk?

Director, Consumer Finance

A

Consumer Duty is here to stay and is a prerequisite to operate in the financial services sector in the UK. Firms have already made major changes to their fee structures. Hence, we see compliance with Consumer Duty and managing vulnerability as a key risk for firms. Therefore, investors, Professional Indemnity insurers, and acquirers are likely to differentiate on this basis.

Disengagement & discrimination

Q

Will it be considered as discrimination if we assign a lower transactional limit / cap for potential vulnerable customer groups?

Head of Retail Banking, Retail Banking

A

Firms are allowed to undertake risk management – i.e., underwriting on financial issues for credit and health issues for life insurance – so long as they have evidence to support this risk management. However, firms should not be discriminatory, and Consumer Duty now includes an obligation to record compliance with the Equality Act. This includes the need to understand the proportions of protected characteristics in their customer base.

Charities suspect firms have been discriminatory, hence the need for firms to collect the data and report on this being included within Consumer Duty. Firms are free to select their own target markets, so long as this is communicated and, if some limit is placed on a particular group, then this needs to be communicated as part of the target market. We would suggest steering away from applying product limits to particular vulnerable groups. If it becomes necessary to disengage with a present customer, then firms will need to be sure they are not being discriminatory.

Fraud & consumers taking advantage

Q

Is there any method of prohibiting customers 'using' vulnerability to obtain a preferred outcome?

Anonymous

A

As customers become more aware of what is available, then abuse of the support is likely to grow. This is already happening in some circumstances. So, methods to assess vulnerability need to be thorough, objective, and recorded in order to minimise this.

Non-retail customers & non-regulated entities

Q

Is there any expectation for B2B businesses to check / record for vulnerabilities (e.g., SME lending)?

Anonymous

A

The regulations refer to retail customers – but we think the prudent approach is to assume this applies to group policies that are for a small number of people. We know one company that assumes any policy less than 50 people is considered to come under the retail consumer definition and hence under these regulations. With regard to non-regulated entities, this is a complex area and specific for each firm and too complex for this document.

Product design & fair value assessments

Q

What considerations do you make when designing and reviewing products?

Product Governance Analyst, Retail Banking

A

With regard to vulnerability, firms need to ensure that their products and services are suitable for vulnerable customers. Firms may undertake surveys to understand their customers and bring in vulnerability experts – so-called 'lived experts' – to assist in their design and implementation. Target market definitions need to mirror the consumers they are supporting. The move to digital has largely been designed for the resilient and digitally capable and has exacerbated the servicing for many vulnerable groups by reducing the flexibility of the human who previously adapted to individuals' needs. We think it will be far harder for pure digital channels to accommodate vulnerable customers than human channels.

Small firms & proportionality

Q

Please cover vulnerable customer considerations for small firms in payments and electronic money which deliver solely online services. What might be an adequate approach to vulnerable customers?

Sr Compliance Officer, Payment and Digital Assets

A

Every firm needs to manage vulnerable customers. Being small does not dissolve firms of their responsibility to assess and mitigate vulnerability issues. There are many one-man band and small customers who have embraced it. If you are online, then you need methods and processes to understand your customers and to build processes to adapt for their vulnerabilities.

8

Support for Vulnerable Customers

The FCA's Consumer Duty places a paramount emphasis on firms treating all customers fairly. This includes providing appropriate support to vulnerable customers, who may face unique challenges in accessing and understanding financial products and services.

Questions here delve into the specific needs and expectations of vulnerable customers and provide practical guidance for firms to ensure they are meeting their obligations under the Consumer Duty. We discuss the challenges firms may encounter in providing support to vulnerable customers, including the cost of support and the FCA's expectations regarding pricing adaptations.

Costs of support

Q

What are the expectations of the FCA in terms of pricing adaptations for vulnerable clients?

Manager, Consumer Investments

A

We don't think the FCA has a view on differential pricing for support. Firms need to comply with the Equalities Act – so you can't discriminate against people with disabilities, and this is a wide definition. Other than that, there will be a range of 'if' and 'when' for charging for adaptations. There is a fear of increased costs which, as far as we can see, is not borne out in practice. We think the supports used will increase and become a service differentiator in the mid-term.

Vulnerability support

Q

How can we support vulnerable customers?

Head of Ops, Payment and Digital Assets

A

The mitigating strategies you need to put in place depend on the customer's characteristics, their severity, and the potential harm that may result from the firm's interaction with them. Most firms are already undertaking many mitigating strategies, albeit in an informal manner, so these now need to be formalised and documented.

There is a large body of services and support available: https://www.itswhoiam.me/ and https://nsn.org.uk/ provide lists of support available.

One of the challenges is how to train staff on all the variations and support options, especially when some are used very infrequently. When using manual approaches, this effectively limits the number of support options available. Systems that suggest the appropriate support for the individual circumstance will ease this burden and allow literally hundreds of support options to be available.

9

Training & Competence

Questions here explore the challenges firms face in delivering effective Training & Competence programs.

These include the need to foster a supportive culture, address employee wellbeing, and ensure that staff are equipped to confidently identify and meet the needs of vulnerable customers. We also discuss the importance of ongoing training and development to ensure that staff remain up-to-date with the latest best practices and regulatory requirements.

Assuring competence

Q

What are the best ways to ensure vulnerability training does not fail and that it is 'lived and breathed' throughout a business.

Compliance Monitoring Manager, Consumer Finance

A

Don't treat training as 'once and done'; it should be an ongoing process. Effective outcome assessment means transitioning your training approach to a continuous assessment methodology to support dynamic learning. It is a cultural shift that is very much supported and endorsed by the FCA and aligns with their emphasis on developing authentic competence. The regulator strongly discourages tick-box compliance when it comes to training and expects firms to prioritise genuine development and engagement in this area.

Changing culture

Q

How do we help colleagues build confidence in supporting vulnerable customers?

Head of L&D, Consumer Finance

A

Confidence stems from competence – and few firms really embrace employee competence optimisation. Focus on competence – and evidencing this to the individual employee and management – and you will get your desired confidence outcome. Elephants Don't Forget has several customer testimonial videos on this subject, including examples from LV= Financial Services and NewDay. LV= discusses how they are identifying weaknesses in their training, while NewDay highlights how continual assessment is boosting staff confidence in interacting with and supporting vulnerable customers.

Employee wellbeing

Q

What training do you provide for your agents for their own wellbeing?

Vulnerability Team Leader, Consumer Finance

A

Despite significant financial investment and the best of intentions, few firms have effectively addressed employee wellbeing. Many offer self-help resources that are often underutilised and rarely accessed during times of crisis. To overcome this challenge, firms should implement gentle, in-the-flow-of-work, confidential, and continual assessment to monitor individual employee sentiment and mood. Our AI, Clever Nelly, can identify employees who may need assistance or whose wellbeing markers are declining over time. The AI can then 'signpost' available resources within the business or suggest external support options, tailored to the employer's preferences. To provide meaningful wellbeing support, employers must continually monitor employee sentiment. Unlike the 'build it and they will come' approach seen in the movie 'Field of Dreams,' this strategy is proven ineffective for employee wellbeing.

Staff structures

Q

Should companies look to implement 'expert' teams for dealing with VC or should all staff deal with VC?

Compliance, Other (Sector)

A

Personally, I'm not entirely convinced about the idea of a dedicated vulnerability team. While it's important to provide specialised support for particularly complex or sensitive cases, I believe that frontline agents should be equipped to handle a wide range of customer interactions, including those involving vulnerable individuals.

The key challenge seems to lie in accurately identifying vulnerabilities in the first instance. If firms can improve their training and tools for vulnerability detection, I think frontline agents can be empowered to handle a greater number of cases effectively. A dedicated vulnerability team might be seen as a way to avoid investing in the necessary training and resources for frontline staff, which could have long-term negative consequences.

Training

Q

How can staff training around vulnerability be improved?

Claims & UW Support, Other (Sector)

A

Generally speaking, from what we see, the training content is pretty good. It is certainly theoretically accurate and useful. However, far too many firms assume that training will magically be retained by employees and then subsequently translated into actual in-role competence.

The object of any training intervention is to improve competence. Assuming training delivery will do so is not only dangerous, but also provenly a big error. This is the fundamental reason why customers deploy Clever Nelly.

10

Trends & FCA Plans

The Consumer Duty has significantly increased the focus on protecting vulnerable customers in the financial services industry.

As the regulatory landscape continues to evolve, it is essential for firms to stay informed about emerging trends and the FCA's future plans. Questions here explore key trends in customer vulnerability across financial services, the potential implications of the FCA's 2024 review, and areas where firms can take proactive steps to enhance their support for vulnerable customers.

Key issues

Q

If you could focus on just one thing to add the most value, what would it be?

Senior Regulatory Trainer, Retail Banking

A

At present, identification of the vulnerable is the big issue. We think the two big areas are data and culture – you need both. Good data needs good objective systems; adding a tick box and comments field in existing systems is unlikely to be good enough. As the FCA keeps reinforcing, re-using existing data is unlikely to deliver the appropriate results.

Firms need to invest in systems to properly manage the vulnerability data or take advantage of the technology solutions on the market. Changing culture is often harder – especially for larger established firms. Changing processes and systems needs to be undertaken first; otherwise, if employees don't have the appropriate systems to record the appropriate data, then it is harder to persuade them to change. We don't see retail banks as leading the way as suggested.

Trends

Q

Have any trends in customer vulnerability been identified across financial services as a whole?

Consumer Duty Champion, Other (Sector)

A

The present trend is the poor implementation of identification and support. We think we need to differentiate between customer service and vulnerability. For anyone going through multiple layers of digital engagement or chatbots, it can be frustrating customer service.

For the vulnerable, we need to understand their particular characteristics and preferred communication preferences. For some with mental health issues, chatbots may be a real disadvantage, while for others, i.e., the mute, they may be an advantage. So, communication methods need to be able to accommodate different vulnerabilities. Just saying 'digital or chatbots are bad' is too simplistic. Vulnerability should not stop access to finance, and this will only happen if it is implemented too crudely.

What will the FCA do next?

Q

Do you think it is likely that the FCA's review will result in additional requirements to FG21/1?

Compliance Manager, Consumer Finance

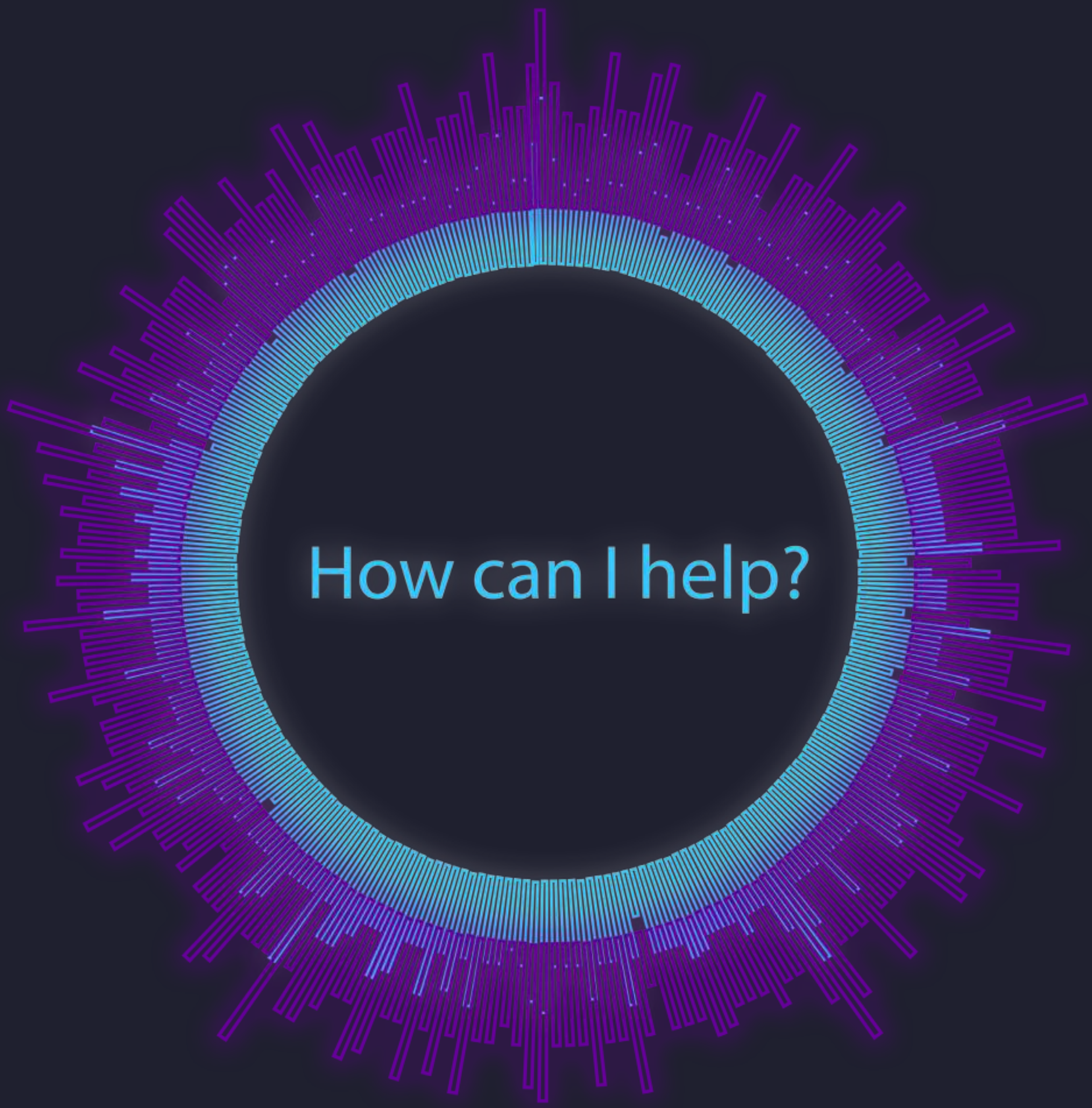
A

The FCA is undertaking a review of vulnerability over 2024 – this is already in full swing and we understand it is on target to land in Q4. This is in line with the three-year review, as FG21/1 was issued in February 2021.

Surveys were sent to some firms; we are not aware of the criteria, and it involved small as well as large firms. (There is a copy of the questions available here).

The FCA has updated its guidance on vulnerability and issued many communications to reinforce its implementation. We know the FCA are most concerned by the lack of progress on vulnerability by many firms. They have already started to verbally inform firms they are not doing enough, and we expect this to continue. We don't expect any additional requirements, but we may see some clarifications and examples of good and poor practice.

The guidance and regulations have not changed – what is changing is the emphasis firms are putting on the topic. As per the recent report on the insurance industry, firms need data to evidence what they are doing. Bluntly, far too many firms thought it was easy, left it to customer service teams to implement, and are only now realising the need to change processes and systems.



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