

# MEETING THE NEEDS OF VULNERABLE CUSTOMERS

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# A LITTLE BIT ABOUT ME

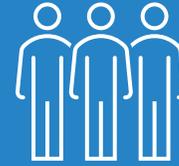
- Worked in financial services organisations on branding and customer communications for over 20 years
- Managing editor of a national newspaper campaigning on behalf of the over 50s age groups for over 12 years
- Over the past few years have worked with several mutuals and friendly societies on campaigns, research, training, customer engagement

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# THE FCA AGENDA



The FCA is pursuing an active agenda around vulnerability based on improved intelligence gathering, strong relationships with consumer and advice organisations, and a practical focus on good outcomes.



At a time when financial crime is rising, vulnerable customers need to be able to turn to organisations they can fully trust.



Financial organisations have a regulatory responsibility to identify and protect vulnerable people when they interact with them.

# THE FCA DEFINITION

The FCA defines a Vulnerable Customer as:

*‘Someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care.’*

Source: *FCA Consumer Vulnerability – Occasional Paper – Feb 2015*

# WHY IS THIS SO IMPORTANT?

Identifying vulnerable customers is a key aspect of treating customers fairly regulation

Being able to recognise these customers demonstrates the commitment to a positive customer experience

Following simple rules will:

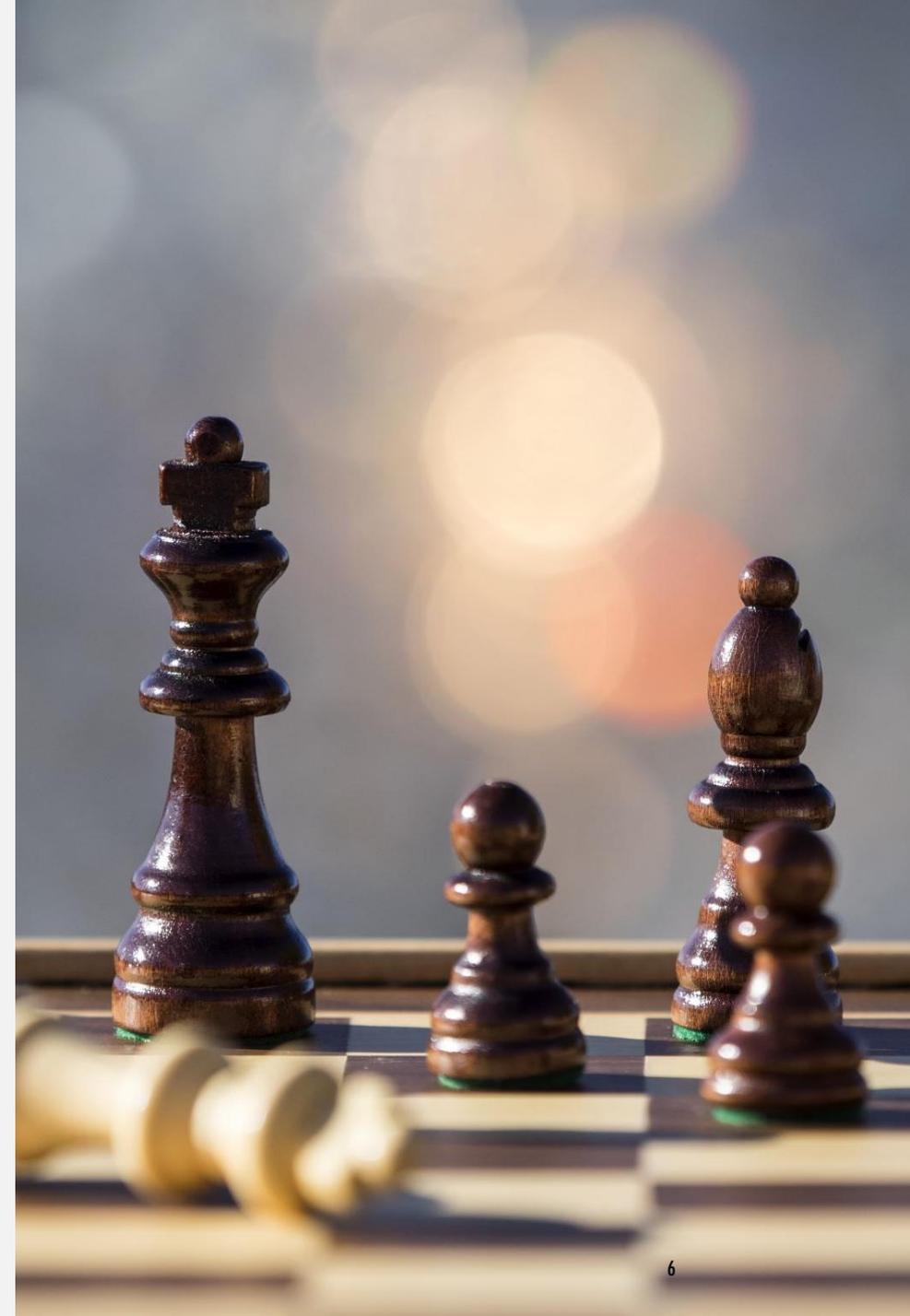
- Improve access to financial services
- Safeguard customers' best interests
- Provide appropriate confidentiality
- Not allow advantage to be taken of the customer's position
- Enable mutuals to act with appropriate care
- Carry out the customers' instructions

In addition to these, it can reduce cancellations and complaints, and can enhance your reputation as a caring and sensitive company.



# DEFINITIONS OF VULNERABILITY

- Vulnerability involves the interplay between individual circumstances, situations and market factors.
- A consumer's state of mind can have a major impact on behaviour and decisions.
- A change in circumstances, and multi-layered risk factors, are particular flags for potential vulnerability.
- A risk factor approach can be used to help firms spot vulnerability.
- The number of people involved is large and rising. Prioritisation is vital to achieve a realistic approach.
- Definitions of vulnerability used by firms vary but putting a strategy into practice is the most important aspect.



# DRIVERS OF VULNERABILITY

**Health** – health conditions or illnesses that affect the ability to carry out day to day tasks

**Life events** – major life events such as bereavement or relationship breakdown

**Resilience** – low ability to withstand financial or emotional shocks

**Capability** – low knowledge of financial matters or low confidence in managing money

<b>Health</b>	<b>Life Events</b>	<b>Resilience</b>	<b>Capability</b>
<b>Physical disability</b>	Caring responsibilities	Low or erratic income	Low knowledge or confidence in managing financial matters
<b>Severe or long-term illness</b>	Bereavement	Over indebtedness	Poor literacy or numeracy skills
<b>Hearing or visual impairments</b>	Income shock	Low savings	Low English language skills
<b>Poor mental health</b>	Relationship breakdown	Low emotional intelligence	Poor or non-existent digital skills
<b>Low mental capacity or cognitive disabilities</b>	Having non-standard requirements e.g. ex-offenders, care leavers, refugees	Lack of support structure	Learning impairments

# DRIVERS OF VULNERABILITY

# IMPORTANT RISK FACTORS WITHIN FINANCIAL SERVICES:

- low literacy, numeracy and financial capability skills
- physical disability
- severe or long-term illness
- mental health problems
- low income and/or debt
- caring responsibilities (including operating a power of attorney)
- ageing which may be associated with cognitive or dexterity impairment, sensory impairments such as hearing or sight, onset of ill-health, not being comfortable with new technology
- being young (associated with less experience)
- change in circumstances (e.g. job loss, bereavement, divorce)
- lack of English language skills
- non-standard requirements or credit history (e.g. armed forces personnel returning from abroad, ex-offenders; care-home leavers, recent immigrants)



# THE SCALE OF VULNERABILITY



# THE SCALE OF VULNERABILITY



Sixteen percent of working age adults, and 45% of those over state pension age have a disability, defined as limiting long-term illness, impairment of disability



An estimated 4 million older people, or 40% of all people aged over 65 in the UK, have a limiting, longstanding illness



More than 11 million people are deaf or hard of hearing



About 2 million people in the UK have significant sight loss



Just under half of UK adults have a numeracy attainment age of 11 or below

# THE SCALE OF VULNERABILITY



1.5 million people have some form of learning disability.



In any given year, one in four adults experience at least one mental disorder



7.1 million adults in the UK that had never used the internet over half were disabled and nearly half were over 75 years of age



By 2020 half of the UK population can expect to be diagnosed with cancer at some point in their lives



# FCA RESEARCH FOUND

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Many financial products, services and systems do not seem to be designed to respond to inevitable vulnerability. Consumers need firms to factor that into product design, support and service delivery.

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Financial services, products and systems often 'streamline' consumers and are not designed to meet the non-standard needs of those who don't fit into a set mould. This leads to negative experiences and detriment.

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Most problems relate to poor interaction, or systems that don't flex to meet needs, therefore making people's situations more difficult.

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Many vulnerable consumers may be valuable customers if firms respond to their needs and treat them flexibly; these consumers may withdraw from the market if their needs are not met.

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A combination of vulnerability and firm behaviour can and does result in negative and detrimental outcomes for consumers.

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Consumers need better practice and a more flexible approach around disclosure; simple, clear information and explanation; they need to be able to trust firms.

# WHAT IS NEEDED?

**Need for Clarity:** Ensure that services, products, systems, and customer service processes are set up to be easy to understand, with an emphasis on clear communication – both verbal and in writing – and proactively offering additional explanation if necessary

**Need for Identification:** Ensure correct gauging and understanding of the customers' situation, especially temporary. Being open to and encouraging of further communication, and attempting to find satisfactory solutions

**Need for Trust:** Being committed to working together with customers and acting in their best interest over the long-term, and ensuring that vulnerable consumers can in turn trust and rely on the support provided.



# WHERE TO START

## **Audit current practice**

Review current relevant processes, products, information provision/customer communications, through a diverse customer lens.



## **Strategy development**

Policy development, handling disclosure, prioritisation, timelines, structure of support/team, accountability, resource, consistency across the business.



## **Roll out**

Communicate strategy to staff and customers, roll out of staff guidance and training, embedding processes



## **Evaluation, improvement & maintenance**

Evaluate performance, seeking feedback, MI, maintaining training, periodic assessment

Each organisation needs to have a Vulnerable Persons Policy if you don't have one a model is available from the AFM.

# IDENTIFYING VULNERABLE CUSTOMERS

Identifying vulnerability is not a simple process, particularly if the customer does not disclose this information willingly, or because the channel they are using does not lend itself to disclosure.

There are a number of risk factors, triggers or behaviours that could indicate that a customer may be vulnerable or require certain assistance including:

- Unusual activity or request on a policy
- Arrears of difficulty catching up payments
- Incoherent or slow responses and long silences
- Constant agreement with no other response
- Slurred speech
- Shortness of breath
- Interruption from, or mention of a carer or another person who may be involved in decision making
- Signs of agitation, confusion or becoming easily upset
- Indications of memory problems e.g. forgetting conversation, asking for repeat information
- Lack of understanding verbal or written information
- Mention of medication



# WHAT APPROACH IS NEEDED?

How should you deal with anyone identified as being vulnerable?

# FOUR IMPORTANT PRINCIPLES



Never presume customers have the mental capacity to make the decision in question.



Always provide reasonable support to individuals to make their own decisions.



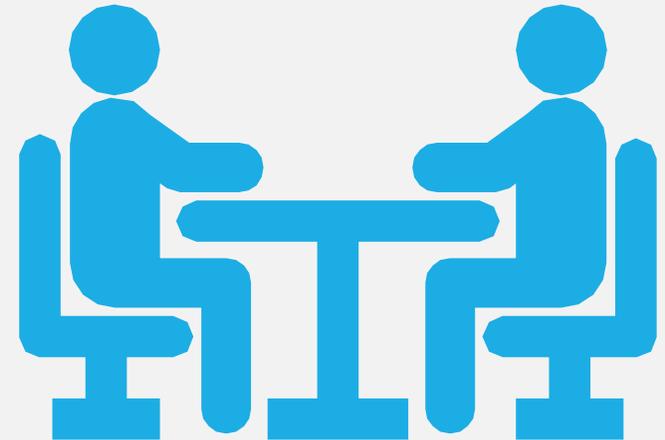
Remember that the decision is always the customers to make.



Avoid guessing what is 'wrong' with a customer – focussing instead on the decision making difficulties a customer may have.

# THE BRUCE PROTOCOL

- **Behaviour:** staff should monitor a customer's behaviour and speech for indications of difficulties with:
- **Remembering:** is the customer exhibiting any problems with their memory or recall?
- **Understanding:** does the customer grasp or understand the information given to them?
- **Communication:** can the customer share and communicate their thoughts, questions, decisions about what they want to do?
- **Evaluation:** can the customer 'weigh-up' the different options open to them?



# THE TEXAS DRILL

## **Thank**

Thank the customer (what they have told you could be useful for everyone involved)

## **Explain**

Explain how the information the customer has given you will be used (this is a legal requirement)

## **Explicit**

Explicit consent should be obtained (this is a legal requirement)

## **Ask**

Ask the customers questions to get key information to help you better understand their circumstances.

*e.g. Does your mental health problem affect your ability to deal or communicate with us?*

*Does anyone need to help you manage your finances, such as a carer or relative? If so, how?*

## **Signpost**

Signpost or refer to internal and external help where appropriate.

Staff should direct customers to a company specialist or third party.

*e.g. a debt advice agency or help with multiple debts, NHS 111 for more help with mental health issues, the Samaritans for those with suicidal tendencies*

# MEETING THE NEEDS OF INFORMATION AND COMMUNICATION

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due to a disability,  
impairment or  
sensory loss



<https://www.youtube.com/watch?v=ZJngMo37WvA&feature=youtu.be>

# SO WHAT CAN YOU DO?

- Develop products for real customers, which are clear and easy to understand
- Think positively about finding positive solutions that work for your members and you as a company
- Be more proactive in identifying signs and signals of vulnerability
- Ensure that disclosed information is effectively recorded, shared and responded to
- Offer a flexible and tailored response to members who experience a sudden change in circumstances



# NATIONAL FRIENDLY SOCIETY: CASE STUDY

## Understanding your customer base

- Customer demographics
- Products sold
- Common enquiries

## Customer contact

- Keep it easy
- System flags
- Literature

## Empower your teams

- Train
- Flexibility
- Speed

## New Business

- Limiting repeat business
- Updating application forms

## Review & Improve

- Internal Working Parties

# SOURCES OF INFORMATION

Financial Conduct Authority [www.fca.org.uk](http://www.fca.org.uk)

## **Free online training resources**

Money Advice Trust [www.moneyadvicetrust.org](http://www.moneyadvicetrust.org)

Just [www.justadvisor.com](http://www.justadvisor.com)

Society of Later Life Advisors [www.societyoflaterlifeadvisers.co.uk](http://www.societyoflaterlifeadvisers.co.uk)

## **Advice and guidance**

The telephone communication support service [www.relayuk.bt.com](http://www.relayuk.bt.com)

For customers with sight loss [www.rnib.org.uk/services-for-businesses](http://www.rnib.org.uk/services-for-businesses)

ANY QUESTIONS?

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