

27 May 2021

Mark Goold:

Hello, and welcome to this webinar on treating vulnerable customers fairly. My name is Mark Goold and I work for the Communications Division of the Financial Conduct Authority. And I will be joined later by my policy colleagues, Vivienne Man, Rebecca Langford and Danielle Banaszak who have all been heavily involved in our work in this area.

Mark Goold:

So firstly many thanks for taking the time to join us. And before we get started, I'll just run through some housekeeping. So just to confirm the webinar is being recorded and will be available on our website in the coming days. In terms of the session itself, it will last 90 minutes. 60 minutes of that will be a presentation with the remaining time dedicated to a question and answer session with Rebecca and Danielle. Now I know a number of you have pre-submitted questions as part of the registration process. And thank you for doing that, but there's also an opportunity for you to submit questions as we go through the presentation. And you can do that by using the question function facility on the right hand side of your screen. And we'll try and answer as many of the questions as we can. Following the event, you will receive an email from us and that email will contain a number of useful links to the various pieces of work that you've carried out in this area.

Mark Goold:

So why have you put together a webinar on this subject? Well, we know over the past few years, including during the pandemic, a number of firms have made great strides ensuring that vulnerable customers are treated fairly. However other firms haven't made the progress that we'd like and it's leading to harm. And that's why we recently published our final guidance in this area. And this webinar will be a detailed run through of that guidance.

Mark Goold:

We want to provide clarity in terms of expectations when treating vulnerable customers fairly, but we also want to drive improvements in the treatment of vulnerable customers and bring about a practical shift in the actions and behaviors of firms to enable this to occur. It's important to point out right at the beginning, that our work on vulnerable customers didn't start because of the pandemic. Indeed our work in this area began back in 2015. However, COVID has showed us how quickly our lives can change and it's now more important than ever that firms put our guidance into practice.

Mark Goold:

So we have some learning objectives for this session.

Mark Goold:

We want to help you understand the importance of recognizing and responding to vulnerability and the consumers who could be most susceptible to harm. Someone who's vulnerable can look like you or me. In many cases there are no signs or symptoms. Yet, if no effort is made to understand what your customers are vulnerable to and the impact these circumstances can have, then a poor or inconsistent consumer

outcome is more likely. Understand the role regulated firms play in protecting vulnerable consumers. Following on from the first objective, if vulnerability has been recognized, but then the level of care provided isn't appropriate or the firm fail to ensure that customer's needs are met, then again, there may be an increased risk of harm. And clarify the expectations when dealing with consumers in vulnerable situations.

Mark Goold:

We want to see that fair treatment of vulnerable consumers embedded as part of a healthy culture within all firms and their business models. Embedding a healthy culture must come from the top and be driven by senior management. This applies regardless of whether you are a large firm or a sole advisor. Policies and procedures need to be in place and then turned into practical action to make sure that vulnerable customers are treated fairly through the whole initial and ongoing advice process. At the end of each section of this webinar, we will be highlighting questions that you should be asking of your business. And this will hopefully provide further clarity on what we expect.

Mark Goold:

So the agenda looks like this. We're going to start by looking at why vulnerability is such an important issue for the FCA. I think this is fairly self-explanatory, but it's probably worth giving a bit of background and some supporting information. So in essence, why do we see this area as high risk and the importance of recognizing vulnerability when it exists? We'll then start looking at the Finalised Guidance in more detail. And in particular, the four key areas we want firms to consider and take action on, starting with understanding the needs of vulnerable customers.

Mark Goold:

So when it comes to vulnerability, what are the things to look out for and the possible consequences of not recognizing them? Also can firms demonstrate that their systems and processes have been adapted to ensure vulnerable customers are not disadvantaged. We'll then look at skills and capability of staff. We'll look here at the importance of embedding within a firm's culture the requirement for all relevant staff to have the capabilities and knowledge required, as well as understanding how their role affects the fair treatment of vulnerable customers.

Mark Goold:

We will then look at taking practical action. And this really is about the importance of considering vulnerable customers in every aspect of the advice process from beginning to end. In our guidance, we talk about service design, which will be particularly relevant for a number of you watching. And finally monitoring and evaluation. We will focus here on ways to demonstrate that you're culture, business models, policies, and processes result in the fair treatment of all customers.

Mark Goold:

We'll then summarize. And as I said, we'll have time at the end for some questions and close in around 90 minutes. I think it's important to point out, though, that whilst we recognise, there are many intricacies when it comes to vulnerability. We can't cover them all in the time we have. This is more about FCA expectations and preparing you for our ongoing supervisory work in this area. Please use your own judgment to consider what the guidance means for you and in particular, consider the good practice examples that we'll use throughout this webinar. However, we do recognize that you may have alternative

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ways within your business to demonstrate that you're treating vulnerable customers fairly. We also recognize and acknowledge that many firms will see consumers as clients of the business. However, to ensure consistency with our work and our publications, we'll be using the terms consumer and customer through this webinar.

Mark Goold:

So why is vulnerability such an important issue for the FCA? Well, our strategic objective is to ensure that relevant markets function well. To do that, we have three operational objectives. Firstly, we secure an appropriate degree of protection for consumers. Secondly, we protect and enhance the integrity of the UK financial system. And finally, we promote effective competition in the interests of consumers. Under the first objective, we require that regulated firms treat all consumers fairly throughout the entire process irrespective of the size of the firm, the sector they operate or the activities they undertake. Our principles include explicit and implicit rules on the fair treatment of customers. Principle six says a firm must pay due regard to the interest of its customers and treat them fairly. However, this message cuts across a number of our principles for business. Principle six, though, will be particularly familiar to those of you who are the FCA assessment as part of our treating customers fairly programme a number of years ago.

Mark Goold:

So who are vulnerable consumers? Well, we define this as someone who, due to the personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care. But we've identified four key drivers which may increase the risk of consumer vulnerability.

Mark Goold:

Firstly, health conditions or illnesses that affect the ability to carry out day-to-day tasks. This could be due to a physical disability or poor mental health. Major life events, such as bereavement, job loss, or relationship breakdown. Resilience, so low ability to withstand emotional or financial shocks, high levels of debt or where expenditure is exceeding income. And capability, so level of knowledge when it comes to financial matters or low confidence in managing money ...in other words financial capability. It could also be customers with poor literacy, numeracy, or digital skills. By showing this slide, we really want to be clear that vulnerability is an incredibly broad spectrum.

Mark Goold:

And as an example, to take my own situation. My father had a great job and our family we're fortunate enough to have a comfortable childhood. However, he died suddenly leaving my mum to look after three children, pay household bills with no income coming in, and at the same time, trying to cope mentally with the shock of losing her husband. So it would be easy to assume that we weren't in a vulnerable position because of the relatively high income our household had. But in the space of 24 hours, that had all changed. And of course, COVID maybe exposing different consumers to vulnerability for the first time or indeed making existing circumstances worse. So for example, if a customer was already in poor health prior to the pandemic, and then suffer an income shock because their employer goes out of business.

Mark Goold:

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It's also important to remember that while some groups are more likely to display characteristics of vulnerability than others. So, for example, those over 75 or those who are unemployed, there can be an overlap. In other words, consumers often display more than one characteristic of vulnerability. And this image illustrates that. It gives an overview of the proportion of UK adults that display each of the drivers of vulnerability and where overlap exists. Firms need to be able to treat customers fairly, whatever their circumstances. An important point to note is that we no longer talk about consumers being potentially or actually vulnerable. We believe it's a lot more helpful to talk about the risk of harm if vulnerability isn't recognized. I accept this is quite a busy image. It proves the point that vulnerability is a spectrum of risk where people may display no vulnerability or several drivers of vulnerability depending on their circumstances.

Mark Goold:

Let's now look at the impact that COVID has had. So as you can see, our historic financial lives surveys, had actually shown a downward trend in vulnerability. It moved from 26 million adults demonstrating at least one characteristic of vulnerability in April, 2017 to 24 million in February, 2020. Then, of course, we had the pandemic and COVID 19 survey, unsurprisingly has shown a reverse in that downward trend. There were about 27.7 million adults with characteristics of vulnerability as of October, 2020. Or in other words, 53% of UK adults. Breaking these numbers down, the groups most effected were aged between 18 and 54, particularly those between 18 and 34. Those in employment in February also the self-employed, those with a mortgage and BAME adults. And though it doesn't show it on the slide, the drivers which contributed most to this increase in vulnerability in October, 2020, were negative life events, so for example, redundancy and low financial resilience. So not health as we may have naturally assumed given a global pandemic.

Mark Goold:

So we've established the drivers that contribute to vulnerability. We have considered the fact that a number of consumers will display more than one characteristic. And we've looked briefly at the impact of the pandemic. Let's bring things right up to date and talk about why we published our finalized guidance in February this year. As I said earlier, this guidance hasn't been put together because of the pandemic, we published our first paper in 2015. And whilst we accept that consumers should take responsibility for their choices and decisions, we know that for vulnerable consumers, there may be factors that limit their ability to make reasonable decisions and choices. So the level of care that's appropriate for firms to show these consumers may differ from that of other consumers. The guidance therefore sets out our view of what firms should do to comply with their obligations under our principles for business and ensure vulnerable consumers are treated fairly. There are two main aims of this guidance, vulnerable consumers should receive the same fair treatment and outcomes as other consumers and ensure firms embed the fair treatment of vulnerable consumers into the culture, business model and processes throughout the whole consumer journey.

Mark Goold:

How do these aims translate into action? Well, we've been very clear in that this guidance is a milestone, not an end point. So in terms of immediate steps that firms should be taking, well, firstly, think about your own business model, benchmark your processes against our guidance. How do they compare? And in what areas do you need to improve? There are some key words in Bullet point 2.. embed ...culture and tailored appropriately a one size fits all approach won't work. We want firms to consider their size, the sector they operate in or and the type of customers they have, rather than just shoehorning all of the guidance

into your day-to-day policies and processes. As a good practice example, I know of a small firm, who have two directors and three advisors. Both directors agreed to read our guidance separately and then come up with a joint action plan.

Mark Goold:

In that plan, they considered a number of things, including what they do well as a firm when it comes to treating vulnerable customers fairly. What they could improve on after reading our guidance. The risks that could exist within their business model that may impact on vulnerable customers and ways in which they could mitigate these risks. This plan was then discussed with all staff, including the advisors and was adapted following their input. It shaped the firm's vulnerability policy and progress is monitored at the quarterly staff meetings, which are run by the directors. Whilst that's an example of a firm who taking the guidance seriously, we know that some firms are failing to think about vulnerability or ensure that their fair treatment of vulnerable consumers is fully embedded into their business. As a poor practice example, we have seen situations where firms are using financial promotions to try and attract new business however, these are not targeted appropriately. So for example, we've seen a 75 year old asked if they were interested in new mortgage products. In terms of action from ourselves, well we've said that the way we assess the fair treatment of vulnerable consumers will be integrated into our proactive supervisory work. Therefore firms can expect to be challenged on this and held to account if necessary. And finally, in 2023-24, we plan to evaluate the actions firms have taken and monitor improvements in the outcomes experienced by vulnerable consumers.

Mark Goold:

So before we move on to the guidance in more detail, I'm going to hand over to my colleague, Vivienne, who will take you through a quick audience poll. Vivienne, over to you.

Vivienne Mann:

Hi everyone. Please join us @slido.com either on your browser or your phone inputting the code 527 357 or using your camera to take a picture of the QR code on the screen. And we'll be asking you a question. So it's audience participation time. The question should come up on your screens now. So in one word, please describe how you treat vulnerable customers fairly. So we're looking to generate a WordCloud live, on-screen and we'll see what comes up. Oh, someone's typed the number in. As you can see. I think there are quite a lot of people with us today.

Vivienne Mann:

Compassion is coming up. The numbers coming out really large. The people obviously dove with hyping and the number. Consideration, listen, flexibility, equally, tailored, compassion. So a lot of these words are all about listening to the customer with respect, treating them as individuals, making sure you have a really consistent, patient, sensitive, flexible approach. And I'm sure a lot of this is bread and butter for many of you. It's about communication skills and making sure we're talking to people as individuals and as people, as well as our customers and clients.

Vivienne Mann:

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Thank you, Mark. I think I can still see the WordCloud being generated, that 540 people so far have filled in and hopefully we'll be able to have a really fantastic picture by the time everyone's finished inputting. Great. Thank you very much.

Mark Goold:

Thanks Vivienne. So on the side, prior to the poll, we talked at a high level about the actions that we want firms to take. Let's break this down and consider our guidance further. To help achieve good outcomes for vulnerable customers, firms should understand the needs of their target market and customer base, ensure that staff have the right skills and capability to recognize and respond to the needs of vulnerable customers. Respond to consumer needs through product design, flexible service provision, and communications. And firms should also monitor and assess whether they are meeting and responding to the needs of consumers with characteristics of vulnerability and make improvements where this isn't happening. We'll now look at each of these areas in more detail, starting with understanding the needs of vulnerable customers.

Mark Goold:

Well, all consumers are at risk of becoming vulnerable. They may become more or less vulnerable throughout their lives. This in turn could increase or reduce the risk of harm during your relationship with them. As an example, a period of vulnerability can be short, so it could be a hospital stay, or it could be longer term, something like long-term unemployment affecting financial resilience. When understanding the needs of vulnerable customers, we want you to consider the nature and scale of vulnerability present in your target market and customer base and the impact that vulnerability can have on the needs of consumers and the types of harm or disadvantage that your customers may be vulnerable to.

Mark Goold:

As all consumers are at risk of becoming vulnerable, it may help thinking about your own customer base as a spectrum. Customers to the left of the spectrum are less likely to be vulnerable and face a lower risk of harm compared to those in the right, where the risk of harm is more acute. Those to the right of the spectrum are more likely to have different needs so for example, consumers with overlapping characteristics of vulnerability. And as a good practice example, we are aware of one firm who, as a starting point, plotted their own customers on the spectrum and they found this to be a useful way of understanding the nature and scale of vulnerability present within their own customer base. The consequences of firms not recognizing consumer vulnerability and adapting to the needs are many and varied. It could lead to detrimental outcomes such as financial exclusion. Vulnerable consumers are generally less likely to hold any form of savings, insurance, pensions, and investments.

Mark Goold:

It could lead to difficulty accessing services...low digital capability may prevent consumers from accessing services online, or prevent them from having an ongoing review of their pensions and investments. Now, as a good practice example, some firms have built how to use guides when it comes to using systems such as Zoom or Microsoft Teams and sent these guides to customers. This has helped those who are not familiar with technology keep in touch with their advisor and maintain the level of service agreed. Some of these guides have also helped vulnerable customers understand how to access more basic day-to-day services, such as online banking. Other consequences of firms not recognizing customer vulnerability. Well. It could lead to over-indebtedness. Life events, such as bereavement, relationship breakdown, and ill health can

contribute to temporary loss of income and greater risk of debt. But important to remember that debt may also get linked to customers who are experiencing mental health conditions or addictions. Then Money and Mental Health Policy Institute, have said that nearly half of all consumers in problem debt also have a mental health problem.

Mark Goold:

Not recognizing vulnerability could also mean customers are more susceptible to scams and financial abuse. And finally, it could lead to a customer signing up to inappropriate products or services. Vulnerable customers may be more likely to have purchased an inappropriate product or service because they misunderstood the features. As an example, in our financial lives survey, published this year, adults with a personal pension in accumulation were asked whether they understood that their money is invested, meaning the value of the fund can go up or down. Worryingly, just under three in 10, 29% had not realized this was the case. That list, of course, isn't exhaustive, but it demonstrates how varied the detrimental outcomes could be if customer vulnerability isn't recognized and their needs aren't understood.

Mark Goold:

So bearing all of that in mind, as a firm, how would you demonstrate that you understand the needs of vulnerable customers? It may be helpful to consider the following questions. Can your firm demonstrate sufficient understanding of the vulnerabilities that are likely to exist in your target market and customer base? How can you evidence this understanding? As a good practice example, I know of an advisor who's carried out a segmentation exercise, considering where each of her customers sit in relation to the four drivers of vulnerability. She's also taken into consideration that some customers may have more than one characteristic of vulnerability. This exercise was carried out in conjunction with an external compliance consultant who provided support and helped to document the exercise. In what ways does your firm consider the vulnerability and the impact on customer needs? Again, as a good practice example, a small multi-advisor firm changed the processes to ensure that a robust assessment of the customer's knowledge and experience was carried out at the beginning of the investment advice process.

Mark Goold:

This assessment looked at things like their experience of other types of financial products, past employment and education. It also considered the customer's history with pensions and investments and whether they had previously received advice and their the experience of fluctuating markets. The firm then discussed the analysis with the customer and confirmed that the customer was happy with the assessment of their knowledge and experience. And if a customer has low levels of knowledge and experience, the firm provides their own glossary of terms to aid that customer's understanding.

Mark Goold:

How does your firm understand the scale and nature of vulnerability in your customer base and target market? So think about that spectrum of vulnerability on the previous slide. Is the vulnerability policy and responsibility for the fair treatment of vulnerable customers owned at the highest level. And how and when are these policies reviewed? As a good practice example, the directors of a medium-sized firm built a vulnerability policy.

Mark Goold:

The role of implementing this was given to the senior manager responsible for compliance oversight. It was agreed that the policy would see this senior manager being known as the vulnerability champion for the firm. Day-to-day responsibilities would include putting staff training in place, carrying out one-to-one meetings to gauge staff knowledge of vulnerability, and implementing specific changes to the file checking regime to ensure the fair of treatment of vulnerable customers where advice had been given. At monthly board meetings, a report from the senior manager is a standing item on the agenda and changes to the existing vulnerability policy are implemented if required.

Mark Goold:

As a poor practice example, a sole advisor told us that they had asked their external compliance consultant to carry out an ad hoc check on some files where advice had been given to customers in poor physical health. Now whilst this is a reasonable idea, the firm didn't take into account the other possible characteristics of vulnerability, including mental health. There was also no evidence that there was any kind of plan to repeat this exercise and appeared to only have been carried out as a result of FCA work in this area.

Mark Goold:

Going back to our guidance, let's now look at the second of the four areas we want firms to focus on, and that's skills and capability of staff. And it's important for firms to recognize the role that staff play in meeting the needs of vulnerable consumers. These consumers are more likely to suffer harm when staff don't understand how vulnerability is relevant to their role or a frontline staff don't have the skills and capability to recognize and respond to a consumer's needs. With that in mind, we expect you to embed the fair treatment of vulnerable consumers across the workforce. All relevant staff should understand how their role affects the fair treatment of vulnerable consumers. Important to point out here though the phrase relevant staff. So we are talking about staff who fall under the conduct rules and who perform a role specific to financial services.

Mark Goold:

Ensure frontline staff have the necessary skills and capability to recognize and respond to a range of characteristics of vulnerability and offer practical and emotional support to frontline staff dealing with vulnerable consumers. Now, you'll note in all of these points that we're making clear that we expect action from the senior management of the firm. Frontline staff, of course, must take responsibility to ensure vulnerable customers are treated fairly, but they need support to do this. So this tone from the top is an essential part of the process. Directors, partners, business owners should create and champion a firm culture that prioritizes this fair treatment and ensure it's at the heart of everything the business does.

Mark Goold:

So what do we expect frontline staff to be able to do? Well, as I said in the previous slide, we would expect them to have the skills and capability to recognize vulnerability and then respond appropriately to individual consumers' needs. That recognition of vulnerability isn't easy, but there could be situations where the consumer has told the firm about a need or where there are clear indicators of vulnerability or where there's relevant information noted on the customer's file that indicates an additional need or existing vulnerability. And looking at the importance of keeping files and records updated, as a poor practice example, we have seen a situation where a couple had divorced. However, the advisory firm were still sending the quarterly newsletter to the marital home and addressing it to Mr. and Mrs. Despite the

advisor knowing about the divorce, this hadn't been noted on file and therefore staff didn't amend the mailing list accordingly, causing distress to divorcee who still lived at the address.

Mark Goold:

As I said a second ago, recognizing vulnerability isn't easy. And senior managers should be encouraging staff to be alert in three main areas. Firstly, look out for changes in behavior. Not an exhaustive list. It could be premiums stopping suddenly, unusually late payment of fees, regular requests for one-off capital withdrawals from a long-term investment, or regular requests for higher levels of income from say an income drawdown plan, or even extreme changes in the customer's attitude to risk. People often become more reckless and/or careless when under stress. Secondly, be alert to phrases a customer may use such as, "I can't pay. I'm having trouble paying my regular contribution." If they ask for a premium break or premium holiday or mention contacting a debt advisor. Other phrases such as, "I can't read my statement, I don't understand the report you sent me, or I don't need anything that's sent by email."

Mark Goold:

Finally, are there any obvious physical signs such as shortness of breath or signs of agitation during interaction, or if the customer is asking for information to be repeated. This could be a sign that they don't understand or are confused. Any mention of medication or medical treatment. This could be required because of heightened stress levels caused by difficult personal circumstances. If vulnerability is recognized, staff should be capable of exercising additional care to adapt to the consumer's needs and, as I mentioned, be able to respond to these needs quickly. But important to remember that adapting to consumers' needs is also about knowing when to refer the customer to a colleague, team, or specialist organization that's able to help.

Mark Goold:

So when it comes to skills and capability of staff, ask yourself the following questions. Can you show that the firm's staff understand why meeting the needs of vulnerable customers is important and the key drivers of vulnerability? So how are you achieving this, training sessions, involvement of external parties? As a good practice example, we've seen a few firms work with charities and help groups. So I know of a firm who is part of our staff training exercise brought in someone from Together Dementia to talk to staff about the challenges a person with dementia could face from a financial services perspective. Is the firm recruiting staff with the right skills and mindset to engage with customers effectively? Think about your recruitment and training process, as it's unlikely you'll find staff who have all the right skills and experience straight away.

Mark Goold:

As a good practice example, I know of a medium-size firm who actively question candidates on vulnerability. When confirming the interview process, they make the following statement. "We as a firm are committed to ensuring that vulnerable customers are treated fairly. Therefore, part of your assessment will be on your skills and the FCA guidance in this area." They have built specific interview questions and a role play exercise as a way of effectively assessing candidates. If a candidate is successful, the results from the interview process then feed into the training and development plan. If staff recognize a characteristic of vulnerability, are they able to make a judgment on the risk of harm to the consumer? And do they then know what to do? We talked on the previous slide about the signs staff should be looking out for.

Mark Goold:

Now, as a poor practice example, we visited a sole advisor mortgage firm. And on one file, the customer had submitted an overall figure in terms of their monthly expenditure. The advisor hadn't asked for a breakdown or questioned this figure. This overall figure included monthly payments to several credit card companies and may have indicated a serious debt issue. As the advisor hadn't broken down the expenditure figure, they wouldn't have recognized that specific characteristic of vulnerability should it exist. Are senior staff, as well as those in the frontline, trained to consider the needs of vulnerable consumers.

Mark Goold:

Now, as a poor practice example, two partners in a small advisory firm arranged for a representative from an economic abuse charity to come to the office and deliver a training session to improve their staff's knowledge in this area. Now whilst on the face of it, this was a positive step, the partners themselves didn't attend the training. This obviously caused concern as it gave the impression that this area wasn't seen as important from the top down. That view could then have filtered through to other staff who wouldn't take the training seriously. But it's not just about attendance at training sessions. We would also expect senior staff to demonstrate how they have used this training in practical situation.

Mark Goold:

As a poor practice example, I have visited a firm and the two directors arranged for an external compliance consultant to check files to ensure customers were treated fairly and that any vulnerability had been recognized and taken into account. This firm had five advisors, two of whom were also the directors. However, the compliance consultant was told to look only at files involving the three advisors who weren't directors. So in other words, there was no review of what the directors had done in practical situations.

Mark Goold:

So in summary, firms should take a proportional approach to improving their skills and capability of their staff. So for example, smaller firms may share free external materials or have informal information sharing sessions. Whereas larger firms may have formal training courses or dedicated vulnerability champions who could offer support to frontline staff. One final point that's also important, there is no reason for staff to tell a customer they class them as vulnerable because this may upset or offend them. However, staff have a key role to play in encouraging customers to disclose any specific needs they may have and make them aware that by sharing the circumstances, that will then enable the firm to provide the right support.

Mark Goold:

Let's then move on and look at the third of the four areas we want firms to focus on, and that's taking practical action. In our guidance, we've broken this area down even further into product and service design, customer service, and communications. Now, we recognize that a number of firms may not design products. However, our expectations on fair treatment equally apply to service propositions that are offered and delivered. And looking at point 1, where firms design products and services that don't take into account the needs of vulnerable consumers, there is a risk that these consumers can suffer harm as their needs may not be met from the start. While some products and services may not be seen as harmful generally, they could have features that are harmful to vulnerable consumers.

Mark Goold:

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Now, as an example of poor practice, we have visited a firm who have an advice process when advising on pension transfers. In this process, it stated that where the customer is in ill health, advisors should only consider recommending income drawdown and an ongoing service. Whilst this may be appropriate on some occasions, the advice process didn't adequately recognize the role of impaired life annuities, and may lead to a vulnerable customer receiving unsuitable advice and purchasing a product that's too complex and expensive for their needs.

Mark Goold:

Looking at point two, harm to vulnerable consumers can occur unintentionally. And we want you to actively consider the likelihood of this when developing products and services. This consideration has to take into account that your firm will probably advise a broad cross section of people. And it's particularly relevant if you have a centralized investment or retirement proposition. Our finalized guidance in that area, whilst published in 2012 is still relevant today. And we expect firms to pay particular attention to the risks of shoehorning customers into solutions that they don't requirejust because that's all the firm offers. Take vulnerable consumers into account at all stages of the product and service design process to ensure products and services meet their needs. Firms need to be aware of their role and responsibilities as part of a distribution chain.

Mark Goold:

As an example, if we consider something like the product governance or PROD rules that were implemented in 2018 and consider the main principles. So firms have to demonstrate that this is their target market, these are our investment solutions, platform selections and services, and their investment solutions are designed in a specific way so that they work for the target markets we've described. That same approach can be applied to vulnerable consumers. And indeed your target market may even be that group of consumers. So when it comes to product and service design, ask yourself the following questions. How does a firm take time to understand what vulnerable consumers may need from a product or service?

Mark Goold:

As a good practice example, we've seen a number of firms adapt their advice process for vulnerable customers, particularly when it comes to fact-finding. Rather than spend a long period of time going through this, a number of advisors will break this exercise down perhaps over two or even three meetings. This approach may mean customers are more likely to share information about the needs they have because they have higher concentration levels and don't feel rushed. Do staff recognize that the needs of vulnerable consumers are likely to evolve and therefore build flexibility into the service offering? As a good practice example, a sole advisor firm has three service offerings. As part of the ongoing review, they check that customers are in the right tier. They recognized that the ongoing service required should be fluid and change with the customer's needs. This is particularly important for customers who, because of a life event, now have lower financial resilience and therefore may benefit from a different service offering.

Mark Goold:

Does the firm consider the needs of vulnerable consumers when changing their operations, so for example, closing a communication channel? Now there's a tendency to think that this will only apply to larger organizations, but it could equally apply to smaller firms. So situations such as buying or taking over a new customer bank. Have you considered how this will impact on the time you'll be able to spend with your existing vulnerable customers? As another example, you may now want to issue all documentation through secure email. What steps are you taking or alternative solutions are you offering to help vulnerable customers adapt to that? When closing a communication channel, as an example of poor practice, one small firm had taken the decision to stop doing mortgage business and concentrate on pensions and investments. However, they didn't inform their existing mortgage customers. This firm had done a good job historically helping consumers with vulnerabilities, such as those with poor mental health, get on the

property ladder. However, by not communicating their decision and then offering say a referral to another mortgage advisor, the needs of vulnerable consumers hadn't been taken into account.

Mark Goold:

How does the firm review their services to check whether they are continuing to meet the needs of vulnerable consumers? And we'll talk a bit more about that shortly when we look at monitoring and evaluation. Let's now consider customer service. As we've said, consumers in vulnerable circumstances are more likely to have different needs when dealing with a firm. If the firm doesn't recognize and meet those needs, vulnerable consumers are more likely to suffer harm from poor service. It's therefore crucial to set up systems and processes in a way that will support and enable vulnerable consumers to disclose their needs. Whilst responding in a flexible manner to these needs is incredibly important, vulnerable customers also need to be aware of the support that's available to them. Now, as a good practice example, when it comes to things such as disclosure documentation and suitability reports, we have seen firms offer them in a large print format. We also know of firms who can provide documentation in braille or audio format for visually impaired customers.

Mark Goold:

This support is made clear at the beginning of the advice process and customers are therefore more likely to disclose if they need it and are put at ease by knowing that it's available. Also think about record keeping. So if you're dealing with a customer, regardless of what their vulnerability may be, have you detailed their needs and requirements on file? If you haven't, that could impact on the service they receive and mean their needs won't be met. It's important to remember that you may not be the only one who deals with that customer. For example, you may have a para-planner who is building a report and the customer has poor literacy or numeracy skills. If that isn't detailed on the file, the report may be built in a way that doesn't meet the customer's needs.

Mark Goold:

If you're involved in something like pension transfers and use a two advisor model, of course, both advisors need all of the facts or there is a risk of harm. What if you're a sole advisor and become ill? A locum may have to deal with a vulnerable customer on your behalf and may not deal with their needs appropriately if your documentation isn't up to scratch. That could equally apply in a multi-adviser firm if one adviser is ill and another steps in to look after a customer.

Mark Goold:

So when it comes to customer service, think about how your firm would respond to the following questions. Does your firm have systems that are easy for staff to use and that encourage vulnerable consumers to disclose their needs? As a good practice example, I visited a firm and where vulnerability has been recognized, they always offer customers the opportunity to have a family member or friend present at the meeting. The firm identified that by having a familiar face present, customers became less anxious and were more open about their needs. During the pandemic, this has become more difficult. However, this firm have adapted and use technology to allow vulnerable customers to be accompanied, albeit virtually. If the customer struggles digitally, the firm offers interaction via BT MeetMe, again allowing the family member or friend to join the call.

Mark Goold:

Is your firm using GDPR as a barrier to obtaining and recording relevant information about customer needs? Fairly self-explanatory, but if you're concerned about GDPR, then read the GDPR annex in our guidance. It signposts lots of useful information from the information commissioner's office. And if necessary, you should take legal advice or get guidance from your data protection officer should you have one. Do frontline staff have the confidence and authority to act in response to the needs of vulnerable consumers, or know when it's appropriate to escalate an issue? Now as we mentioned earlier, adapting to consumers' needs is also about knowing when to refer the customer to a specialist organization that's able to help. As an example, that organization could be Citizens Advice, debt advice charities, or if the customer is in a difficult or crisis situation, you may consider it appropriate to inform the relevant authorities.

Mark Goold:

And does your firm proactively communicate the options of help and support they offer to adequately meet the needs of vulnerable customers? Now as an example of where improvements could be made in this area, we have seen a firm who proactively provide a quarterly newsletter. However, this is only available to what the firm would class as high net worth customers. In this newsletter, there was a regular feature highlighting the FCA's ScamSmart initiative, in particular known scams that had been identified and the names of organizations to look out for. Now whilst this is a good idea, the firm hadn't considered that this section may be useful for vulnerable and lower net worth customers as they could also be the target of fraudsters.

Mark Goold:

One final point is that senior management within firms should be supporting staff by ensuring that their culture and systems allow extra time with the customer if necessary. This is important particularly if the firm runs an incentive arrangement for advisors with cut off dates to participate in bonus schemes. Where incentive schemes are in operation, we are now seeing firms place greater emphasis on the quality of business written rather than quantity. And whilst there's no regulated requirement to do it, this approach may have the knock-on effect of allowing advisors more time with a vulnerable customer, going through the fact-finding process, and explaining their recommendation.

Mark Goold:

Let's then consider communications. Failure to communicate with vulnerable consumers in ways they can understand obviously could lead to an increased risk of harm. Low capability or physical disabilities may result in specific communication needs. Several factors can drive low capability, including poor literacy or numeracy skills and low levels of knowledge when it comes to financial products. Physical conditions can also result in specific communication needs. We talked earlier about visual impairments, for example. That could also extend of course to hearing impairments. Firms must also consider their obligations under the Equality Act ...to anticipate and make reasonable adjustments for disabled customers. This covers both mental and physical disabilities, as well as some other medical conditions such as cancer.

Mark Goold:

Also, firms who for the most part use a single communication channel should think about the possible needs that vulnerable consumers may have and consider providing other channels to meet these needs. We would expect firms to proactively raise awareness of the different channels available. And firms should ensure that all communications and information about products and services are understandable for consumers. This relates to all interactions you have with consumers from beginning to end. So consider

things such as any marketing that you may do. We touched earlier on things like customer newsletters. Think about the various stages of the advice process, disclosure, fact-finding, suitability reports. Now as a good practice example, I am aware of some firms who asked their administration staff to read over their customer communications to ensure they're clear and understandable from a lay person's perspective. A member of the admin team may have lower levels of knowledge and experience than the advisor. And this sense check on things like disclosure documents and suitability reports could provide valuable feedback before it's sent to customers.

Mark Goold:

Consider how you communicate with vulnerable consumers, taking into account their needs. Some vulnerable consumers may find using telephones stressful, perhaps due to a mental health condition. So they may choose not to inform a firm of an important issue if that's the only channel open to them. They may prefer the option of communicating with the firm in writing. So for example, by post, web chat, or secure email. Conversely, other consumers who find writing or typing difficult could suffer detriment if they're not able to speak to the firm in person or by phone. Point two is particularly important at a time where we're moving back to some kind of normality following the pandemic. And if you haven't already done so, then the firm needs to give consideration as to how you're going to communicate with customers over the coming months and years.

Mark Goold:

Some customers may now be more anxious about coming to your office or traveling into busy towns or cities. Some customers may be more anxious about having someone else in their home. As a business, you may now feel that you can deal with customers more efficiently by using video technology and therefore remove the option of traveling to see them. This evaluation of your communication strategy should be clear to both staff and vulnerable customers, particularly if a channel is being withdrawn. If an existing customer is no longer able to engage with a product or service because the firm can't provide a channel that meets their needs, then the firm should consider the most appropriate steps to ensure they treat that customer fairly.

Mark Goold:

So if for example, you are removing the option of visits to a customer's home, then this shouldn't be done without firstly, fully considering, and then mitigating the impact on any vulnerable customers. Particularly, if this was an aspect of the service the customer signed up to. So as we've done throughout the webinar, ask yourselves the following questions...., do your communications encourage consumers to share information about any needs they may have? Of course, this applies to paper based and web communications but also consider customer meetings themselves. I gave the example earlier of advisors breaking down fact finding sessions into a few short sharp meetings rather than one long event. Vulnerable customers are more likely to share information about their needs if they have higher concentration levels and more time to consider the answers they give. Are communications as accessible and clear as they can be?

Mark Goold:

As I mentioned on the previous slide, this involves a number of things, including newsletters and financial promotions. But would also cover things like complaint processes. And as a poor practice example, in our pension transfer work, some consumers have made us aware that they thought they could only complain in

writing. This, of course, isn't true. And a number of consumers who have transferred their defined benefit pension will have characteristics of vulnerability. Do you offer multiple channels of communication so that vulnerable consumers have a choice? As a good practice example, we've seen a number of firms provide new customers in particular with short videos. This video may talk about the advice process that the customer will be taken through. It may be a triage video, which talks about the generic risks and benefits of staying in a defined benefit scheme. It may even be a video explaining different investment terms that'll be used during interactions with advisors.

Mark Goold:

And if you operate digitally, has the firm considered how to meet the communication needs of vulnerable consumers? Taking on the previous point, we have seen some firms who have built this explanation of terms into their website. So if the customer hovers over a certain word for a prolonged period of time, then an explanation pops up. Let's take a look at the fourth and final area we want firms to focus on and that's monitoring and evaluation. Firms should monitor the actions they're taking to ensure they treat vulnerable customers fairly but also monitor the outcomes that these customers experience in comparison to others. With this in mind, we've said that we want you to implement appropriate processes to evaluate where you have not met the needs of vulnerable consumers so that you can make appropriate improvements and produce and regularly review management information appropriate to the nature of your business to test the outcomes you're delivering for vulnerable consumers.

Mark Goold:

Looking at point one, quality assurance processes should be implemented throughout the whole consumer journey to highlight areas where changes or improvements need to be made. It may be worth considering some specific areas as part of your monitoring. Decision-making. Are products and services meeting the needs of vulnerable customers, or is unintentional harm being caused? Think about engagement throughout the consumer journey. Are communications meeting the needs of vulnerable customers or are customers experiencing difficulties effectively engaging with your firm? When disclosing changes in their situation, are vulnerable customers supported and encouraged to share information about their circumstances or their needs? Suitable products. Are consumers able to access products and features that are not only suitable now, but which will also meet their needs in the future? And what about staff, do they fully understand their needs of vulnerable customers and has any lack of understanding led to poor outcomes or inadequate customer service?

Mark Goold:

Of course, monitoring will allow firms to identify where improvements are required but it will also highlight where things are working well and good outcomes are being achieved for vulnerable customers. To understand if vulnerable consumers are being treated fairly, firms should collect and monitor management information that allows them to review the outcomes vulnerable consumers experience in comparison to other consumers. Also, producing the right management information is key when it comes to evidencing that this fair treatment is occurring. The type of information and frequency with which it's collected will depend on the firm type, size and sector they operate in. Although some sources of MI are likely to be common across all types of firms. So for example, analysis of complaints. However, it's not just about having management information, it's what you do with it in terms of action taken that's just as, if not more, important.

Mark Goold:

So let's look at some examples of management information that firms can collect and interrogate. Business persistency. So claims and cancellation rates and the reasoning behind them. This may highlight if poor treatment is contributing to a high turnover of customers. Advice register. Should be clear on this register if vulnerability has been recognized, what that is and what service and products have been recommended to the customer. The register can then be interrogated by senior management in a number of ways. So prioritizing which files to check....any trends in advice ..and identifying potential risks when it comes to fair treatment. You may even feel that an advice register specifically for vulnerable customers is appropriate. As a poor practice example, we have visited a firm where one advisor recommended the same product and provider to all customers and this hadn't been recognized by senior the management.

Mark Goold:

Aside from the advice being questionable for some vulnerable consumers, we also identified that the advisor was using the same suitability report for each customer and just changing the name. There was no consideration of how the report could be structured for each customer individually to meet their needs and aid their understanding. Behavioral insights. So this could be assessing the use of different communication channels. Do you know which customers prefer to deal with you digitally, which prefer shorter meetings, which customers prefer paper or telephone communications? File reviews. Really important here to think about your file checking process. Why do you select the files that you do? Is this a random selection or are you actively prioritizing vulnerable customers to ensure they've been fairly treated? The information on your advice register should inform your file checking regime. Training and competence records. Well, the results of file checking should feed into the advisor's training and competence records.

Mark Goold:

In other areas, if inadequate customer service has led to poor outcomes, then that should be documented and lead to enhanced training for the member of staff concerned. Customer feedback. Well, use formal and informal feedback from customers to identify trends and areas for improvement. Now, when we carried out the treating customers fairly work a number of years ago, many firms felt this was just about issuing a satisfaction questionnaire. Now whilst issuing a question to customers may be useful, there's no regulatory requirement to do it, and therefore comments made to the firm can be just as helpful as well as comments made on social media. If you do issue a questionnaire, please consider a few things. Based on the customer's vulnerability, is filling in a questionnaire going to increase anxiety? So in other words, do they feel pressured into making positive comments only? And remember, testing fair treatment and customer satisfaction are two separate things.

Mark Goold:

A customer may not be satisfied, but they could be treated fairly. So as an example, if a customer's investment falls in value, they will probably not be satisfied. However, if you've taken time to assess the circumstances, their risk profile, recommend the appropriate solution and explain the risk warnings in a way they'll understand, then they've probably been treated fairly. Like-wise, if a customer has a critical illness plan and it doesn't pay out when they become ill, then they may not be satisfied. However, if you've taken time to go through the various exclusions prior to the policy being set up and explained them in a way the customer will understand, then again, they've probably being treated fairly. Also, feedback from staff who directly interact with customers can be extremely useful as a way of assessing how your business model, policies and procedures meet the needs of vulnerable customers. As a good practice example in that area, we have seen the directors of a small firm asking their advisors to obtain verbal feedback when discussing the suitability report with customers.

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Mark Goold:

The advisors asked the customer what they thought of the report in terms of clarity, detail, length, and accuracy. And they quickly had feedback. This tested fair treatment in terms of customer communications and also fed into their para planners training and competence plan as she had put the majority of the report together. Other types of management information. Think about complaints, numbers, trends, and root cause of complaints involving vulnerable customers in comparison to those involving other customers. And compliance reports. Whether this be internal or external compliance help. Are you analyzing what these reports are telling you? Have you asked for specific file checks, training or a third party overview of how the firm treats vulnerable customers? Nothing wrong with external help, but remember the responsibility lies with the senior management of the business to implement changes and improvements where required.

Mark Goold:

This isn't an exhaustive list. And as I said earlier, will depend on the firm type, size and sector you operate in. So when it comes to monitoring and evaluation, think about how your firm will respond to the following questions; what monitoring processes are in place? What management information does your firm collect and who is it reported to? Is this management information regularly collected and used to ensure continuous improvement? Can your firm identify the points where they could have intervened earlier to prevent or mitigate harm? Where poor outcomes for vulnerable customers have been identified. Does the firm take steps to understand what is driving these actions and then improve outcomes? Monitoring and evaluation will allow firms to determine whether they're achieving good outcomes for vulnerable customers. It will also help you understand which activities and processes work well, and which ones need to be adapted to improve.

Mark Goold:

For some larger firms with a diverse customer base, this may be an ongoing process. For smaller firms, it may involve a regular review. Regardless of the size of the business, the management information that you hold and the monitoring you do shouldn't be a whole new operation. It should be building on what you've already been doing. And important to remember the point has been made a few times during this webinar. Firms need to ensure they're able to demonstrate how their culture and processes result in the fair treatment of all customers, including those who are vulnerable. So just before we summarize, I'm now going to hand back to Vivian for another quick poll.

Vivienne Mann:

Thank you, Mark. Please join us again at [slido.com](https://www.slido.com) using the code 527357 to answer our next question or use the QR code on the right hand side. So this is a multiple choice question. What area of the guidance will you need to focus on most? So we've covered different aspects of the guidance around understanding the needs of your target market, around ensuring people have the right skills and capability to support consumers or responding to consumer need through product design, communications, sales provision, or finally the part we've discussed most recently around monitoring, assessing and evaluation.

Vivienne Mann:

So in terms of the scores and adores, monitoring and evaluation is most challenging aspect. This is challenging for us all as we move towards a data led world and something that we're definitely very focused on at the FCA. And that's followed by a close second, or not very close, 21% on ensuring staff have

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the right skills and capabilities. And understanding the needs of target market have received 9%, 11% for product design. So it's around 60 plus, it's climbing. 60 odd percent of you actually want more focus or need more focus on monitoring and assessing. And having that great MI is really important. And thank you to everyone who's participated. I can still see people are filling in answers. We're climbing up to 600 people. So thank you for joining in. I'm going to hand back to Mark now to wrap up and take us into the Q and A session.

Mark Goold:

Thanks, Vivian. And thanks to all of you for getting involved. It will be interesting to explore these thoughts in more detail later, perhaps during the question and answer session. So to summarize, well, I used this slide earlier, but just to reiterate. To help achieve good outcomes for vulnerable customers, firms should understand the needs of their target market and customer base, ensure their staff have the right skills and capability to recognize and respond to the needs of vulnerable customers, respond to consumer needs through product design, flexible service provision, and communications. And firms should also monitor and assess whether they are meeting and responding to the needs of consumers with characteristics of vulnerability and make improvements where this isn't happening. One final piece of good practice, one sole advisor told us he had approached our work by asking a simple question. If the FCA visited us, how could we demonstrate that we treat vulnerable customers fairly?

Mark Goold:

He started by using a free tool provided by a consumer trade body to help assess his current practices around customer vulnerability. The tool provided a score for different aspects of the business, as well as a series of recommendations. Where necessary, practical action was taken and he intends to repeat this exercise at regular intervals to track progress being made. So in terms of learning outcomes, we wanted you to understand the importance of recognizing vulnerability and the consumers who could be most susceptible to harm. Understand the role regulated firms play in protecting vulnerable consumers and gain clarity on expectations when dealing with consumers in vulnerable situations. We want vulnerable consumers to experience outcomes as good as those experienced by other consumers and receive consistently fair treatment across the firms and sectors we regulate.

Mark Goold:

If you take nothing else will be from this webinar, please remember that message. So we're now going to have a question and answer session. And I'm delighted to be joined by my policy colleagues, Rebecca Langford and Danielle Banaszak. We have around 30 minutes for questions. And as I mentioned, a number of you have pre-submitted questions, but e some of you have also been submitting questions during the session. We'll take as many of these as we can in the time we have. So Danielle and Rebecca, are you ready for a few questions?

Rebecca Langford:

Absolutely.

Danielle Banaszak:

Ready to go.

Mark Goold:

Okay. So let's start with a few pre-submitted questions. And the first one is around the scope of the guidance. Probably one for you, Rebecca. How does the guidance apply to different sectors such as asset management or in distribution/ intermediated businesses and for different types of firms? So, can you just clarify the scope of the guidance?

Rebecca Langford:

So the guidance applies to all firms' products and services where our principles for businesses apply. So as you said earlier, Mark, it's going to apply to each firm in different ways because there are significant differences between firms, between the sectors they work in and their target markets and their size as well. And so we really need firms to think about the framework that's in the guidance and use their judgment to decide precisely what it means for them. For many firms, all of the guidance is going to be relevant, but for others and for example, if you don't have a direct client relationship with your customer, and because you operate as part of a distribution chain, only certain chapters will be relevant.

Rebecca Langford:

So chapters around customer service might be relevant to your firm. And for another firm, it might be the chapters related to products and service design are most relevant. So just to say, Mark, your presentation, it contains so many examples, so would really encourage everyone on the call to look at those again and also to look in the guidance itself, because there's more examples in there that can be really relevant to all types of businesses.

Mark Goold:

I know that's something a lot of firms appreciate. Certainly when we interact with firms, many like good and poor practice examples, and they are always appreciated. So just taking that point on a little bit, we've talked here about how the scope of the guidance applies to firms. What about the types of customer it applies to? So sole traders, single director limited companies. Can you just expand on that a little bit?

Rebecca Langford:

So the guidance applies to firms dealing with retail customers who are natural persons. So that's legal speak, isn't it? What does it mean? It means businesses and charity customers where the businesses aren't incorporated. So your sole traders, your unincorporated partnerships tend to be smaller firms, smaller businesses. But if a customer, if they're dealing with a firm on behalf of their personal or their business account, they're likely to have the same needs. And that's why the guidance applies across both those personal and business customers. I think earlier there was a question about sort of how this applied to

corporate clients. And the fair treatment of customers, our principles for businesses, they apply all customers. They're not just these natural person customers. And those corporate clients, although they may not sort of have characteristics of vulnerability themselves in the company, the person that you're dealing with on the end of the phone or in a meeting, they may have characteristics of vulnerability. So it might be actually that there's useful stuff in the guidance in terms of serving all of your customers and relationships you have with individuals representing companies.

Mark Goold:

Okay, Thank you. We're now going to move on. We've got quite a few questions around labeling of customers. And this is probably one for you, Danielle. I mentioned during the presentation and it does mention in the guidance that firms shouldn't call customers vulnerable. Also, we've got a few questions about whether the term vulnerable customer itself, is dated and shouldn't be used. We've also had some questions about what extent firms should discuss customer circumstances with them without causing upset or offence. Any thoughts on that, Danielle?

Danielle Banaszak:

So this is one that comes up all the time and we've had lots in the chat about it today. So when we talk about customers with consumers... Sorry, let me start again. When we talk about consumers with characteristics of vulnerability, we do often use this term vulnerable customers. We use it as shorthand and it's widely used and widely understood not just across financial services, but also non financial services sectors as well. So it is quite difficult to avoid it completely. But we are actually trying to move away from this term ourselves. And we are clear that firms shouldn't be using it, and shouldn't be asking their customers if they are vulnerable. As you said, Mark, not only can this cause offense, but customers may not actually recognize themselves as vulnerable or consider themselves to be vulnerable. And I think we should also bear in mind that having a characteristic of vulnerability doesn't of itself mean that someone's going to experience harm.

Danielle Banaszak:

So really the key thing that we're trying to draw out in the guidance and that a lot of people have mentioned in the questions they've submitted is that firms should understand what harms customers in their target market or their customer base are vulnerable to, and then the impact that circumstances or characteristics can have on these customers. So it's really about firms understanding what needs their customers might have, and then that filtering through into the skills and capabilities of staff and through to taking practical action. So just to give you a flavor of what this might look like and picking up on some of the things that people have mentioned in the questions, recording that someone's vulnerable and has a visual impairment or low digital skills probably won't be particularly helpful information in itself. So it won't actually tell staff what additional care or support they might need to provide.

Danielle Banaszak:

But we think firms could actually discuss with their customers proactively what support they could offer for different needs. So taking visual impairment, as an example, they could explain that they could provide information, as you said earlier, in audio or larger font or braille. Or if customers don't have digital access, or even if they're not very good with computers and they've told you that, you could explain that you could send hard copies of documents by post to them. So really focusing the conversation on customers' needs

should help avoid having this kind of tricky or upsetting conversation about whether customers are vulnerable or not, and therefore not using this label.

Danielle Banaszak:

And actually just to mention that, have seen issues recently elsewhere. So I noticed that the NHS actually, when you book appointments with them now, they ask you if you have any access needs and they give you a list of kind of support and adjustments they can put in place. So honestly the Equality Act is relevant here. But it is really, really helpful, I think, to see that other sectors are thinking about this in the same way and perhaps we can learn from some of the things they're doing as well.

Mark Goold:

Yes, absolutely. And just maybe taking that point on, we also had a few questions about how far firms should go in recognizing and responding to needs. So things like trusted third party support. I touched on that during the presentation. Any thoughts, anything to add on that?

Danielle Banaszak:

So essentially what we're saying is that we think firms should take reasonable steps. So reasonable steps to respond to the needs of their target market and customer base, basically so they're not disadvantaged. I think as with everything in the guidance, we recognize that the support offered needs to be proportionate. So if you're thinking about something like communication needs, so around translating like you said, or providing information in different formats, we don't say that all firms have to provide the same service. We don't actually specify exactly what they need to do, but instead, what we're trying to emphasize is that firms should actually consider the significant need or demand in their target market and customer base, and then adapt to that support accordingly.

Danielle Banaszak:

So going back to the example I just mentioned, if you know that a large proportion of your target market and customer base are customers who don't have access to computers or the internet, or aren't good with technology consider then if sending hard copies of documents could be more helpful for them and actually help them with their engagement. I think it is... Sorry. I was just going to say, I think it is fair to say that we know that there is a lot of concern here and we know that there are limits to what firms can do. And picking up on your point about kind of the third party support, this can be really tricky. And I know often the first thing we think about is power of attorney. But firms can consider also having flexible-

Danielle Banaszak:

... Power of attorney, but firms can consider also having flexible policies. So around both short and longterm arrangements if they do need third parties for. And one thing they could perhaps do if they're not doing it already is actually discussing this with, not just new customers, but at regular intervals during their customer relationships. So actually getting the customer to input and empowering them to make the decision themselves. And there is actually I'm an example, going back to what Rebecca said in the guidance itself about implementing flexible third-party policy. So one firm does actually ask all their customers to nominate a trusted person who can manage their finances, I think on a short-term basis, so getting that customer's consent early on. But they also explain where a power of attorney might be relevant in the longer term, so they essentially give the customer all the information upfront.

Danielle Banaszak:

Now I should also probably highlight that obviously firms may need to make changes to comply with the Equality Act, and in particular duty to promote reasonable adjustments for disabled people. So just to mention if firms are not aware of ready, the equality and human rights commission is the regulator that's responsible for regulating the Equality Act. But we are working closely with them when these issues cover similar ground, so this will be relevant to the fair treatment of vulnerable customers as well.

Mark Goold:

Excellent. Thank you, that's extremely comprehensive. We're going to go and move on and look at data, quite a few questions on data. I'm going to come to you, Rebecca. In the guidance we've said that firms don't have to proactively identify vulnerable customers, but how far should firms go and could technology help with that?

Rebecca Langford:

Yeah, so we know that firms can't meet the needs of vulnerable customers where they're not aware of them. And I know there was some concern in response to the consultation on our guidance on that point. But, Mark in your presentation you've explained that what we expect is that we expect firms to recognize and respond to needs of vulnerable customers where they are clear. So that might be if a consumer's told you about a need. But there's some really clear indicators of vulnerability, and I think you ran through what some of those might be. Or there's already a note on the customer's file, so you know about that vulnerability.

Rebecca Langford:

And I think all of that is partly about staff capability, but also the systems and processes that are in place to support staff, and also to enable customers to disclose their needs. And that includes [inaudible 01:11:31] customer journeys. And it's also about ensuring that customers are encouraged and supported to tell you about their needs. So that could be as simple as promoting the support that's available, or explaining how you can help, and just generally being empathetic when talking to customers about their situations.

Rebecca Langford:

And I think earlier I saw that there was a question about if this means that firms should set up vulnerability teams to recognize vulnerability. And that's one way that we've seen firms ensuring they can respond to the needs of vulnerable customers, but I think it's important that systems and processes that all customers interact with the capable of recognizing needs. I think the vulnerable customer team is maybe more the response. So if it's difficult, and we know it is, to train up all staff to sort of have the level of care, the additional care that may be needed for some customers, but in that case it might be useful to have a vulnerability team to refer that customer onto.

Rebecca Langford:

And in terms of proactively identifying, so as I said, our guidance doesn't require that. Although there's some bits of the handbook elsewhere in some sectors that do, so you need to pay attention to those. But increasingly we're seeing tech solutions that are being developed to support firms in identifying and recognizing vulnerability. And we know that there's some firms that are really, really interested in exploring those or are already exploring them. So these are things like data analytics and machine learning, and it's all

very, very interesting. And we really do encourage, well we're encouraged to see those tools being developed. And yeah, if that's something that firms are doing and they're interested in, and please do engage with us, engage with our innovation department.

Mark Goold:

Great. Just one other question, around the use of data. GDPR is always quite a topical issue. Can firms still record the information they need, even with GDPR? And should they tell the customer about that?

Rebecca Langford:

Yes, so quite a lot of questions coming in on GDPR today and always. So GDPR shouldn't be a barrier to ensuring you treat vulnerable customers fairly. And it's clear that you're going to need to record some information in order to do that on a consistent basis. I think we've found that focusing on what a consumer needs, and Danielle's touched on this, but what their needs are that can make it easier. So what information do you and your staff need to know in order to ensure that you treat the customer fairly and respond to their needs?

Rebecca Langford:

I think earlier someone asked what to do, if a customer had multiple vulnerabilities. Well if they have multiple needs you'll need to be aware of all of them, but if they have multiple characteristics or circumstances that are making them more vulnerable to harm, you might not need to record them all if they all resulted in the same need. So I think that's where I'd focus. I'd focus on what it is the customer needs. Equally there was a question earlier where somebody asked, well does all this mean that if a customer is blind I should stop recording that and instead I should record that they need braille or large print? You could, I think if you're starting from scratch that's probably what I'd encourage you to do. But it really is a judgment for you and for your firm, and what information you feel you need to treat that customer fairly.

Rebecca Langford:

And we're not able to provide guidance on GDPR unfortunately, that's the role of the Information Commissioner's Office. Having said that we've worked really closely with them, and you'll find in the back of our vulnerability guidance there's an annex that signposts to tons of information from the ICO, from other organizations, including some sectors of industry. Where they've come together and produced guidance on how to deal with these issues. And actually sort of there's some really interesting stuff around the Texas model, which has been developed by the Debt Advice Sector to support staff, to have conversations with customers about what their needs are and how that information is going to be recorded.

Mark Goold:

Okay, thank you. I'm going to ask a quick question to Danielle and then we'll do one on monitoring and evaluation, then I think we'll move to the live ones. So Danielle, what can someone do to recognize vulnerability and support customers in a non-face-to-face journey?

Danielle Banaszak:

Yeah, thanks Mark I think this is another one that keeps coming up as well, and I think that we are seeing loads of examples of things that firms can do in a digital environment or in a non face-to-face journey. And it's probably worth clarifying that we do expect the same fair treatment from providers in these circumstances, but really it doesn't have to be really complex, it doesn't have to all be around kind of AI and machine learning. And I think going back to what both Rebecca and I said and what you've said in your presentation, so key theme here is that a lot of it actually relates to finding ways to encourage customers to tell you about their needs and firms actually proactively flagging the support that's available.

Danielle Banaszak:

And thinking about our recent COVID linked forbearance work actually provides some really good examples. So this was in relation to mortgage and the mortgage and credit sectors, but actually it can apply across many different sectors. So examples of what we saw there were things like firms asking customers to record their needs when they start an online journey, but also then asking kind of follow up questions at various points so that customers could be routed to a specialist team if they needed that support. We also saw some firms including contact details for non-digital support throughout the digital journey actually. So this meant that customers could actually exit that journey if they needed more help, or they needed to discuss their circumstances, or wasn't sure how to proceed. And honestly, this is really important because a fully digital journey won't actually meet everyone's needs.

Danielle Banaszak:

But I think as well that there are also some really simple solutions out there that can help a day-to-day basis. So there's lots of things, like one of the simple ones that I think a lot of firms use already are jargon busters. So as a customer, if I hover over a word for some time it'll explain kind of what that means. And things like this might actually be enough for some customers who just need a bit of extra help or a bit of extra clarification on a day-to-day basis.

Danielle Banaszak:

I think one thing I would say is that if firms are introducing touch points, so whether that's asking customers about their needs or telling them about the support that's available, it is important that this doesn't just happen at the start of the customer journey. And I know a lot of the consumer organizations are also emphasizing this as well. Basically it comes back to the key point that people can become vulnerable at any time. So they may not have characteristics of vulnerability when they take out a product, but that may change over time. So really I think what I'd say is that we'd encourage firms to think about the most appropriate points in their customer journey to introduce these touch points and the most effective ways of reaching their customers.

Mark Goold:

Excellent, thank you. So, I just want to take a question on monitoring and evaluation, because I know in Vivienne's poll that come up as an area I think a number of firms would find challenging or do find challenging. So Rebecca, what sort of evidence in terms of monitoring and evaluation might we expect to see from firms and what action would be taken if firms aren't treating vulnerable customers fairly? I appreciate that's quite a difficult one to answer, but just maybe group the two together. So what sort of evidence might we expect and what action would be taken if there's no evidence or there's no demonstration that the customers have been treated fairly?

Rebecca Langford:

Yeah, absolutely. So taking the first part you've listed in your presentation or are listed in the guidance, all sorts of things that firms can look at to ensure that they're monitoring, that they are treating vulnerable customers fairly, the things that they can check. So things like complaints, information, file reviews, feedback from customers, and feedback from frontline staff. But in terms of how you can evidence it to us, it really will depend on your business. I guess the exam question that we'll be asking is how can you show us that your business model, your culture, your policies and processes ensure the fair treatment of all customers? What are you doing in terms of looking at, am I, to show that these customers are being treated fairly and they aren't receiving worse outcomes? And where you are identifying that there might be a problem that you're looking for the root cause of that, and then you're taking action to fix it.

Rebecca Langford:

So we're not going to pretend that this is easy, we've all been doing it for a very long time. I mean it started with the introduction of our principles of businesses and treating customers fairly. Developing ideas and sharing expertise on how we can monitor this I think is an area where firms and sectors may benefit from conversations with peers, and trade bodies, and through networks such as sort of the Vulnerability Task Force that has been set up to really learn and share from each other how we can get this right. And in terms of what action we'll take, if we're concerned that vulnerable customers aren't being treated fairly or sort of if the firms aren't responding to the needs of vulnerable customers adequately resulting in harm, we can take all sorts of action, as I'm sure you know through our supervision and sort of our enforcement.

Rebecca Langford:

And we have a range of tools available, so it could start from alerting firms to our concerns through a Dear CEO letter, having a meeting with senior representatives, requiring firms to develop an action plan or seeking formal commitments from a board. But we do also have a wide range of enforcement powers, and we do use them to ensure compliance with our principles for businesses. So an example of that was in December last year when we fined a firm for failures in relation to their treatment of consumer credit customers who fell into a [inaudible 01:22:13] or experienced financial difficulties. And all of that information is public, but you'll see the issues there really was that there were clear signs of vulnerability of financial difficulty, and information wasn't always responded to adequately. So you can find out further information about all of this in our guidance, and we've got links in there again to our approach to supervision and enforcement.

Mark Goold:

Yeah, absolutely. Also we publish final notices as well where we've taken action against firms, and they can be really useful, as it allows firms to find out what our concerns were and why we took the action that we did. And as I say in the public domain, it's always worth looking at that. So we're just going to move to a few live questions. First one is for you, Danielle, are there training sessions to help raise awareness of vulnerability that are vetted by the FCA?

Danielle Banaszak:

So we don't vet any particular training sessions or even kind of the tools that are available. I think as a regulator we can't be seen to be endorsing certain training or tools, things like that. But actually we know that there's tons of them out there, there's tons of information that can help firms, and I think a lot of this actually comes back to the collaboration point. So we're actually really encouraging industry, so whether

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that's firms, trade associations, professional bodies, et cetera, to work together to share kind of what they know. And that includes things they've learned from training sessions. So we've kind of been highlighting that we think there's a number of ways that industry can do this. So for example, we know that lots of the trades have vulnerability leads, so we're encouraging them to join up. Not just to kind of share knowledge or even to say what training might be useful, but also to kind of address some of those tricky or challenging problems like the data issue that came up earlier.

Danielle Banaszak:

I think secondly we'd also encourage firms to share information. So if they've found a particular training session helpful or actually they've developed something off the back of it, if they can make that accessible to everyone I think that in itself would really help. And we have seen some firms, as you said in the presentation, work with certain charities. So some firms have staff that are dementia friends or have been through training to help customers with particular disabilities. So actually sharing that information on their website so that others can use that, that would be helpful. And obviously if firms can and if consumer organizations and charities have the resources themselves, just to work with them and engage with them directly. Because they have so much insight and so much useful knowledge that actually we could benefit from as a regulator as well. So I think in short we wouldn't vet anyone and we don't endorse anything, but we know there's tons out there and we're just really encourage everyone across industry and across all of the consumer groups to share what they have and to make that accessible if possible.

Mark Goold:

Okay, well I think we've got time for two more live questions before we wrap up. And this one is for you, Rebecca. Quite a generic one but I think quite an important one, so what progress have we seen so far when treating vulnerable customers fairly, and how are the different sectors doing? Is there any information on that to date?

Rebecca Langford:

So it's a good question. So what's happening, well we've had a very positive response to the guidance, but actually I'd start probably further back than that. So back when we published Occasional Paper eight quite a few years ago now on customer vulnerability, I think that started a conversation, and we developed the guidance as part of that conversation. We developed it in collaboration with sort of talking to people about the guidance that they felt they needed to get this right. And we found throughout that process and following sort of publishing the guidance that there has been a very good reaction to it from across sectors. And I think it's made it clear that treating customers fairly and going the extra mile for customers with characteristics of vulnerability is relevant to everybody, to all sectors.

Rebecca Langford:

And I think that speaks to the second part of your question, Mark. So I think it would be safe to say that the retail banking and consumer credit sectors are probably further down the journey on this one than some others. Although obviously we've seen pockets of great work over the years in sort of the [inaudible 01:26:59] and investment community, particularly around older customers through necessity. But yeah, we see a lot more progress on retail banking consumer credits, or some of the collaborative working that Danielle spoke about earlier. Sort of quite a few years ago we had UK Finance and sort of the firms that they represent coming together and responding to concerns from consumer groups via our vulnerability

taskforce. And it's great to see now that we're seeing vulnerability taskforces developing other sectors as well to do the same.

Mark Goold:

Okay, thank you. I think we've got time for one more live question and then we'll wrap up. And this one's probably a good one to finish on for you, Danielle. So how does the work we've been talking about today, link to wider work such as the new consumer duty and fair values, obviously we've talked a lot about that over the last couple of weeks in particular?

Danielle Banaszak:

Yeah, so I think we were probably expecting this one to come up. So I think it's fair to say that in the same way that we expect firms to embed the fair treatment of vulnerable customers into their business, we're doing exactly the same. So you can expect to see reference to the fair treatment of vulnerable consumers in many areas about work, not just in our supervisory work. So that would include the new consumer duty and our fair value work. So in terms of our pricing for example, just taking the new consumer duties and [inaudible 01:28:32], I know we're really short on time.

Danielle Banaszak:

Essentially this aims to raise the standard of care of all customers. And it does highlight the need for firms to provide an additional level of care to ensure they meet the needs of vulnerable customers. So essentially their proposals we're consulting on, if they ended up being adopted would result in our handbook making express provision about the treatment of vulnerable customers. But as Rebecca mentioned earlier, there's also loads of other areas where we are looking at this as well. So through innovations such as through the sandbox and text prints. So yeah, in short you can expect to see the fair treatment of vulnerable customers linked into many areas of our work going forward.

Mark Goold:

Okay, thank you. So we've reached the end of the webinar. And just to reconfirm, a recording of this session will be available on our website in the coming days, so please feel free to watch again if you so wish, or indeed pass on to your colleagues if they didn't get a chance to join us. As I mentioned earlier, you will receive a follow-up email with useful links to the various pieces of work we've carried out in this area. We'll also be updating our website in due course with answers to the questions that we didn't get to during the session, I know there was a number of them. There were so many questions we will do our best to answer as we can on the website. And finally, I'd like to thank Danielle, Rebecca, and Vivian, and also thank you for taking the time to join us. We hope that you found the webinar useful. Thank you and goodbye.