



Fair Treatment of the Vulnerable in Financial Services

13th October 2021

Martin Schofield



Vulnerable Customers - The FCA Timeline

Feb 2015

FCA Occasional Paper 8 –
Customer Vulnerability

2018

Approach to
Consumers

Feb 2021

Vulnerability Guidance
(following 2
consultations in July
2019 and July 2020)

**Dec 2014
July 2020
Feb 2021**

Research:

1. Vulnerability Exposed
2. Financial Lives – The experience of vulnerable consumers
3. Financial Lives 2020 Survey: the impact of coronavirus



Re-Cap - What or Who is a Vulnerable Customer?

FCA OP8 - “A vulnerable consumer is someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care”.

Vulnerability is a spectrum of risk. All customers are at risk of becoming vulnerable, but this risk is increased by having characteristics of vulnerability.





Re-Cap - What or Who is a Vulnerable Customer?

1. **Health** – health conditions or illnesses that affect ability to carry out day to day tasks. 5% of UK adults say their ability to carry out day to day tasks is reduced a lot by health conditions or illness.
2. **Resilience** – low ability to withstand financial or emotional shocks. 30% of UK adults have been identified as having low financial resilience.
3. **Life Events** – major life events such as bereavement or relationship breakdown. 19% of consumers say a major life event has happened to them or their partner in the last 12 months.
4. **Capability** – low knowledge of financial matters or low confidence in managing money. 17% of UK adults have low financial capability.





Re-Cap - What or Who is a Vulnerable Customer?

- Vulnerability can come in a range of guises, and can be temporary, sporadic or permanent in nature. It is a fluid state that needs a flexible, tailored response from firms.
- Many people in vulnerable situations would not diagnose themselves as 'vulnerable'.
- Most vulnerable customers want to retain their independence, for their financial services products to enable this not hinder it. They want help, not charity.
- The clear message from the research carried out for this paper is that we can all become vulnerable.
- Vulnerability is not just to do with the situation of the consumer. It can be caused or exacerbated by the actions or processes of firms.





What does the FCA Say?

The Vulnerability Guidance is issued under our Principles. It sets out our views of what firms should do to comply with the Principles, and to ensure the fair treatment of vulnerable consumers.

We supervise and enforce against the standards set by the Principles, as well as our rules, taking into account relevant guidance.

In our Mission, we are clear that understanding user needs, and recognising where some users may be vulnerable, is a key factor in the way we make regulatory judgements.

This finalised guidance will support us as we apply a 'vulnerability lens' to supervising and enforcing the standards set by our Principles and rules.

Firms can expect to be asked to demonstrate how their business model, the actions they have taken, and their culture, ensures the fair treatment of all customers, including vulnerable customers.

We will continue to monitor and evaluate the impact of the Guidance and how firms are embedding this throughout their businesses.





Re-Cap - Elements of Vulnerability

- Divorce
- Bereavement/Grieving
- Terminal/critical illness (self or others)
- Physical Impairment
- Mental Health Issues
- Accident/injury
- Potential life changing event
- Age
- And many more....

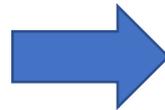




Re-Cap - What or Who is a Vulnerable Customer?

- FCA OP8 - “A vulnerable consumer is someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care”.

But What
About If...



- Socially / Financially Excluded
- Gender / Trans
- Sexual Orientation
- Race
- Religion
- Non English speakers
- Non standard credit history
- Learning difficulties
- Remote living – access to society
- Sole parent



Vulnerability

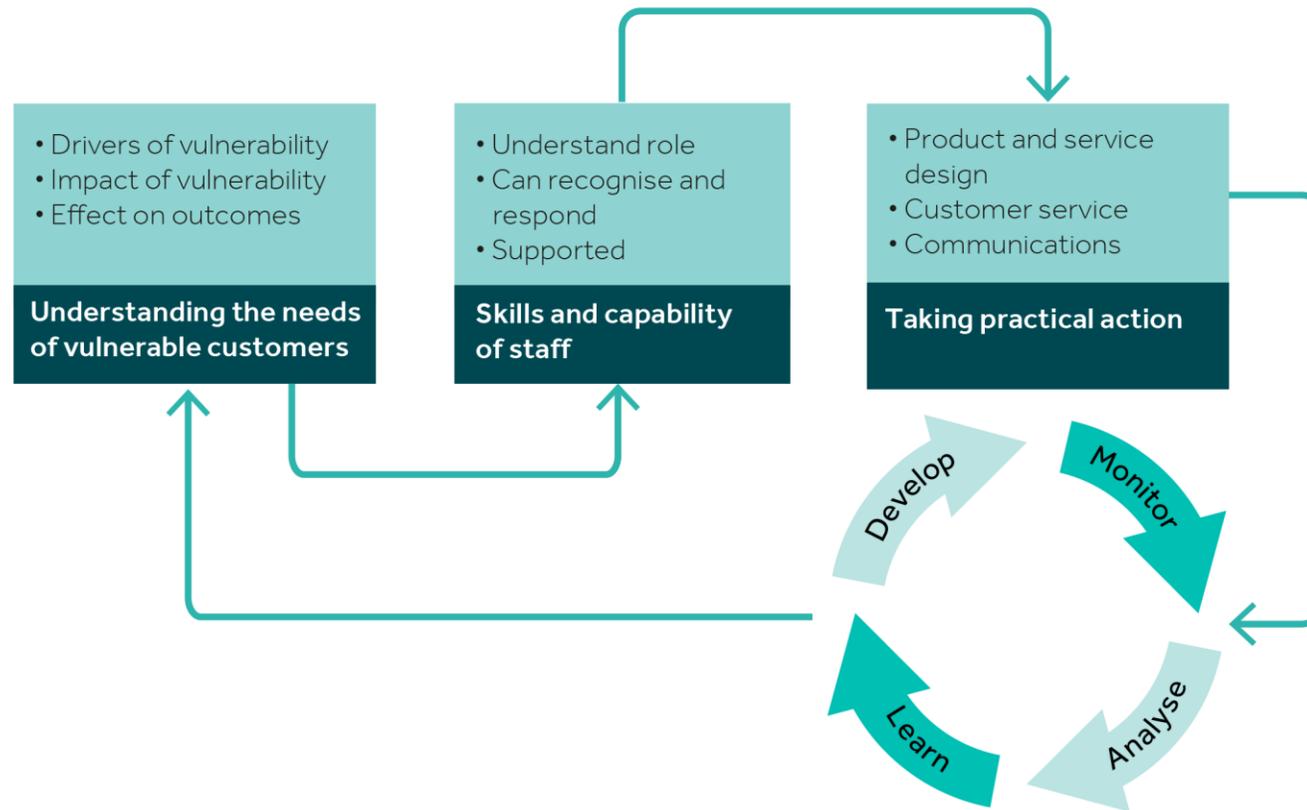


Four Key Pillars





Pillar 1: What the FCA Wants





Pillar 2: What the Customer Wants or Needs

A good point.....does the customer know what they want or need?

Has the customer thought about when and if they will become vulnerable, what that means to them, and what their needs will be?

Has the customer got the experience to be able to predict vulnerability and needs?

Will the customer even know that they are, or have become vulnerable?

Or is this like an insurance policy, you know its there and you will only use it when you are at your neediest, when life has dealt you a blow and you need the help of others?

And it is at this time that you need help, understanding and for someone to take charge and do the right thing by you. Not to introduce obstacles, hurdles and terms and conditions. Even if they apply, it can all be about the delivery!



Pillar 3: What your Staff Want or Deserve

- To be trained in how to identify vulnerability
- To be trained in dealing with vulnerable customers
- To be supported
- To have a mechanism to “get out / let off steam”
- Not to be punished for being effected
- Not to become vulnerable themselves!



Pillar 4: What the Law Requires

Legal Considerations to be addressed:

- ✓ Compliance with the Equalities Act 2010



Equality Act 2010

- ✓ Not to confuse managing vulnerability with facilitating fraud



- ✓ Identify your “Vulnerable Customer List” stakeholders and assess them for bribery risk – they could be prime targets



- ✓ Ensure DPA 2018/GDPR is complied with – breaches of details of vulnerability could be costly and also facilitate fraud



- ✓ Remember PoCA 2002 – fraud and bribery are predicate offences for money laundering!





Practical Steps to Take





Potential Pitfalls

As with all well intended procedures and processes, there can be some pitfalls – vulnerable customer management can be a minefield too.

Misunderstanding/Application
of Subjective Views on
Vulnerability and it's impact on
your customer

Over Zealousness – Versus –
Bottom Line
(AKA doing wrong for doing
right)

Lack of Inter Departmental
Alignment
Enter the Criminal Element



Some Final Thoughts

Vulnerability can happen overnight, it can be long standing or temporary, physical or mental, sporadic or permanent.

Vulnerability has no boundary – it can happen at any time and to any one.

It takes extraordinary courage and strength for someone to pick up that phone, often the heaviest object ever lifted, ready to speak the hardest words ever spoken...are you ready to acknowledge that?

Help – Often the bravest word ever spoken.

You, Me &
Everyone
We Know





Questions?