



Consumer Vulnerability

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What I would like to cover today

- Why are we doing work in this area?
- How we view consumer vulnerability
- What this meant to us as a regulator & outcomes for our work
- Gathering independent evidence of problems for consumers and our approach to research
- Findings from market research
- Examples of impact on consumers
- How we have started to embed vulnerability into the work of colleagues at the FCA
- Our Occasional Paper on Consumer Vulnerability

The Financial Conduct Authority (FCA)



To secure an appropriate degree of protection for consumers.



To promote effective competition in the interests of consumers.



To protect and enhance the integrity of the UK financial system.



Retail banking



Long-term savings and pensions



Mortgage and consumer lending



General insurance and protection

Protecting consumers

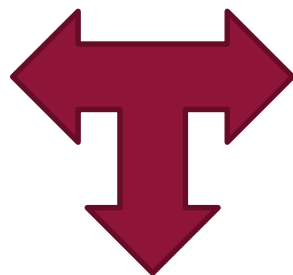


Consumer Insight department will provide insights into the way consumers and the market interact so that the FCA can take action to improve outcomes for consumers

Consumer vulnerability: the problem raised

Industry

- Lots being done
- Numerous good practice guides for dealing with different 'types' of consumer
- Head office policies and systems often in place
- Goodwill amongst staff
- Complex area



Consumer organisations

- Numerous good practice guides & systems *may* be in place
- Recognise there is goodwill amongst FS staff
- FS staff on the front line not always trained appropriately
- Products & services not flexible enough
- Not always "rocket science"

End consumer

- Lack of consistency in approach
- Products and services often do not reflect/react to the realities of people's lives
- One poor decision/action can lead to significant detriment

Those who have been vocal on this agenda:

			
			
			
 <p>ESAN</p>			

What do we mean by consumer vulnerability?

A definition is a starting point:

“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.”

Personal characteristics

Physical impairments

Age

Mental health problems e.g. depression/anxiety, bi-polar.

Low basic skills

Low financial capability

Personal circumstances

Low resources e.g. income, time

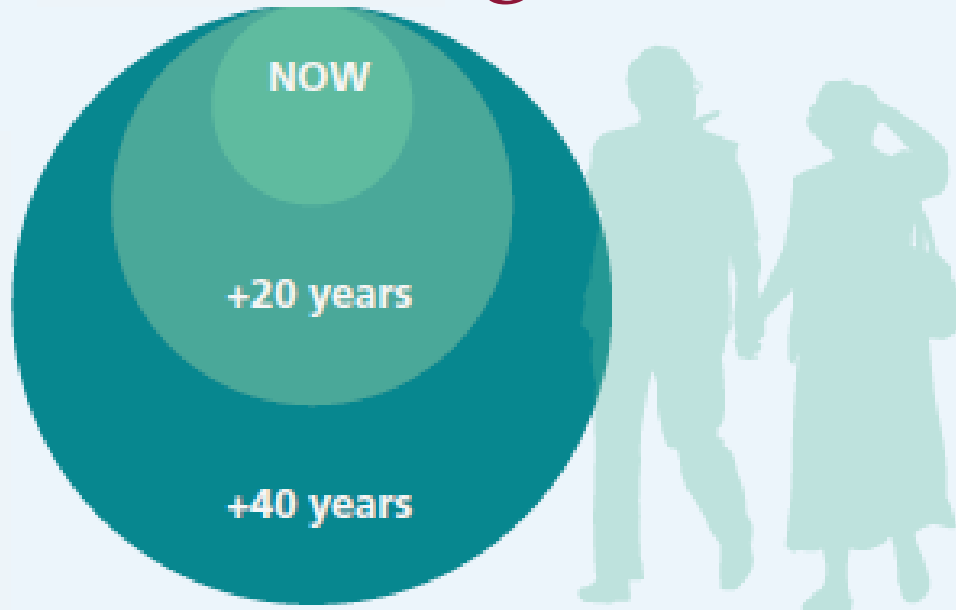
Memory problems, caused by, for example, age, dementia.

Life events e.g. bereavement, illness

Poor financial situation

Niche requirements owing to, for example, health conditions, legal status, etc.

The Growing Scale of Vulnerability



Old age

Over 1.4m people in the UK are aged 85 or over. The number of people over 85 in the UK is predicted to double in the next 20 years and nearly treble in the next 30 years (Age UK, 2013)

Living with dementia



There are 800,000 people in the UK living with varying degrees of dementia, and this is expected to double over the next 40 years

The Growing Scale of Vulnerability

Cancer

Every two minutes someone in the UK is diagnosed with cancer (Cancer Research UK 2014)

02:00

By 2020 half of the UK population can expect to be diagnosed with cancer at some point in their lives (Macmillan 2014)



Why is this on our agenda?

It aligns to several of our **statutory objectives**:

- In considering the appropriate degree of consumer protection, the FCA must have regard to
 - *“the differing degrees of experience and expertise that different consumers may have”*
- In considering its **competition objective**, the FCA may have regard to
 - *“the ease with which consumers who may wish to use those services, including consumers in areas affected by social or economic deprivation, can access them”*

It also aligns to several existing elements of our supervision, for example:

- **FCA Principles 6 & 7**
 - *“a firm must pay due regard to the interests of its customers and treat them fairly”.*
 - *“a firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading”.*

What did this mean for us as the regulator?



Outcomes Approach

More concerned with what “good” looks like to consumers than exact definitions of vulnerability.



A best practice, more consistent, approach should be developed for FS market



Outcome:

All financial services firms* create and *put into practice* appropriate strategies to address the needs of consumers in vulnerable circumstances.



...to make markets work well for consumers so they can get a fair deal & products & services which meet their needs *over their lifetime*

*proportionate to their size and customer type

Research

Methodology

1. carers
 2. older people
 3. long standing/significant illness
 4. bereaved
 5. job loss/unemployment
 6. low basic skills
- consumer depth interviews
 - telephone interviews
 - expert interviews
 - frontline staff interviews
 - group discussions
 - Analysis of CABx case



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December 2014

Vulnerability exposed:
The consumer experience of
vulnerability in financial services

FCA
ESRD

Research video

“At present, many vulnerable consumers feel that financial services, products and customer facing systems have become so streamlined, designed for a mythical perfect customer, that they struggle to meet the needs of anyone in particular, and certainly not the numerous ‘non-standard’ consumers who don’t fit into a set ‘mould’.”

Failure to provide clear explanations & easily understood communications



"It's their own language and you have to belong to that select circle to understand it. I don't have a hope in hell of knowing what these letters are. I just want them to write, at the top of the letter, 'keep this' if it relates to my actual account. Or, you know, they could write 'marketing' on the junk they send me." **Male, 80s, Older Person**

Technological innovation and digital exclusion



"Every time. Every time I go in, they say 'you know you could be doing this online'. And I just nod and say 'yes dear'. It's every time. It wears you down. Yes I know. No I can't. Stop making it out like I don't know" **Male, 40s, Low Basic Skills**

Poor front line interaction



"They go, 'we've got a very high demand for calls at the moment; it will be at least 20 minutes'. And then I just think to myself, I'm not sure I have that much life left to live and give up." **Male, 80s, Older Person**

Rigid product design & service structures



“How long have we lived in a world where people die? And many of these financial service providers continue to be unable to deal with the circumstances surrounding a bereavement effectively.” **Expert Interviewee**

Inappropriate and predatory sales behaviours



"There's a lot of jargon they all use. They don't explain what the words mean, what excesses and waiting periods and the like mean in practice. They just say, 'it's a good thing! Get it before the offer's gone!'

So I go with it."

**Female, 30s, Chronic
Illness**

Things can go well...



"She was amazing. I can't tell you how brilliant she was. After all those people [other staff members] I had tried to deal with, at last there was this angel who came out of nowhere to help me. The sad thing is, she helped me for a bit, but now I don't know where she has gone and I'm back to square one." **Male, 40s, Low Basic Skills**

What did this mean for us as the regulator?



Occasional Paper

- Why this matters and why the regulator should be involved
- What is consumer vulnerability
- The scale of vulnerability in the UK
- Firms' treatment of customers in vulnerable circumstances and impact upon consumers
- Common challenges for consumers
- Policy/practice gap
- What good looks like for consumers
- What firms can do including examples of innovative practice

Occasional Paper No.8

Consumer Vulnerability: Executive summary

February 2015



Financial Conduct Authority



Themes for common problem areas



Policy



Systems



Products



Implementation

What does 'good' look like to consumers?



Practitioners Pack

1. Where to start?

Based on feedback from firms that exhibit good practice, we have developed the process map below. This is intended to support practitioners and share good practice; it is a helpful resource, not an FCA view.

Audit current practice

For example: reviewing current relevant processes, products, information provision/customer communications, through a diverse customer lens.

Reflecting on whether the problem areas identified in Chapter 4 have the potential to occur in your firm.

Strategy development

For example: policy development, handling disclosure, prioritisation, timelines, structure of support/team, accountability, resource, consistency across the business

Roll out

For example: communicate strategy to staff and customers, roll out of staff guidance and training, embedding processes

Evaluation, Improvement & maintenance

For example: evaluating performance, seeking feedback, MI, maintaining training, periodic assessment

- Geared towards firm employees tasked with the development & implementation of a vulnerable customer policy/strategy.
- Consolidates tips and resources gained throughout the course of the FCA's research.

Embedding a vulnerability perspective – our work across FCA divisions

- Supervision – Across the Pillars
- Authorisations
- Learning & Development
- Enforcement
- Contact Centre

IOSCO Committee 8

- Presented our vulnerability work to IOSCO Committee 8 (Investor Protection)
- Committee members keen to apply learnings from our work within own jurisdictions.
- FCA will conduct a survey of C8 members to scope whether vulnerable senior retail investors across member states are experiencing challenges.

