

Vulnerable customers

Delivering the right outcomes

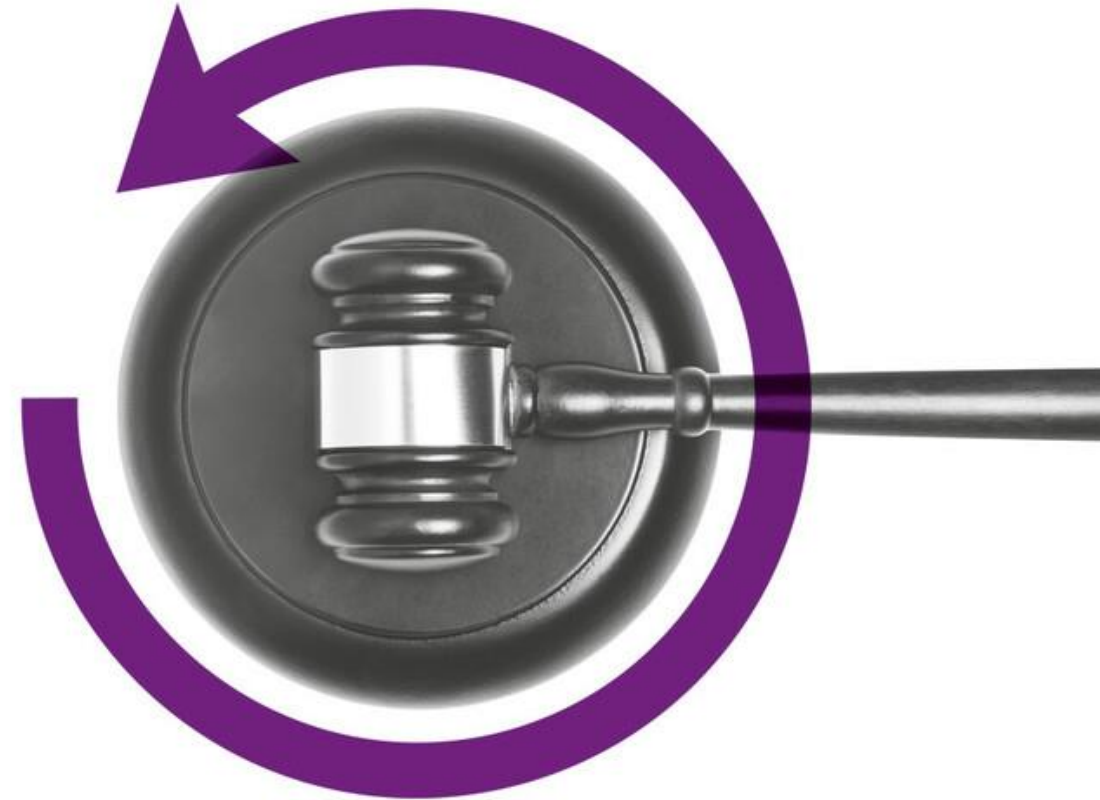
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What we will cover in today's session



- Vulnerability – Perspective of the Regulator
- Identifying Vulnerability
- Practical Actions
- Measuring Vulnerability – Monitoring
- Your role as a NED
- Questions



- In April 2019, Consumer Intelligence (data analytics) reported that:
 - over 75% of insurance customers revealed that they struggle to understand information provided by their insurer
 - the youngest age groups (18-34) were most likely to feel overwhelmed, with 80% “sometimes” or “often” having trouble understanding information from their insurer. In contrast, the over 55s claimed to have the greatest level of understanding, with 32% saying they had “no problem” with understanding
 - but in a nationally representative poll of 1,000 consumers, only 13% would identify themselves as a vulnerable customer
 - however, by March 2020, that 13% had increased to 26%
- Challenge to identify customers who are vulnerable but may not recognise this themselves



Vulnerability Perspective of the regulator

Vulnerability

The FCA defines a vulnerable person as being



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

- 50% of UK adults display one or more characteristics of potential vulnerability at a given time
- Consequence – may be significantly less able to represent own financial interests, do not shop around for insurance or appreciate the scope of cover, or claim appropriately



Customer Vulnerability

The Regulator's approach – Consumer Duty



- **Governance**
 - What data do you need?
- **Customer outcomes**
 - Spot differences & investigate
 - Appropriate metrics
 - Evidence decision making
- **Target markets / key demographics:**
 - Assess
 - Test
 - Regularly review
- **Fair value:**
 - pay extra consideration to vulnerable customers
 - consider cognitive/behavioural biases – avoid exploiting
- **Communications:**
 - accessibility
 - appropriate channels
 - empower customers – to assess available options & make informed decisions

"Our draft rules have...embedded consideration of [vulnerable customers]at every part of the customer journey"

FCA Paper CP21/36



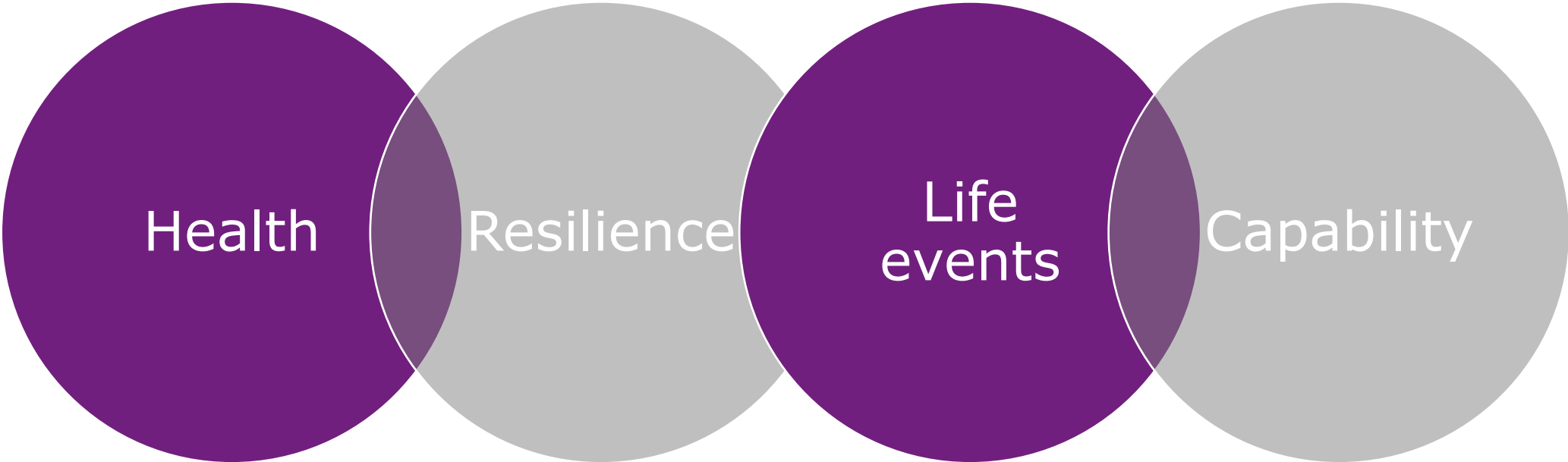
Customer Vulnerability

The Regulator's approach – Finalised FCA Guidance



- **FCA Guidance Finalised Guidance FG21/1**
- **Issued under s139A FSMA as guidance on principles (particularly PRIN 6)**
- **Applies to:**
 - all firms where FCA principles apply regardless of sector
 - supply of products and services to retail customers who are natural persons
- Direct customer relationship not necessary (eg directors or a corporate customer)
- **Aims:**
 - a level playing field for vulnerable customers
 - firms to understand likely sources of harm and ensure fair treatment
 - Equality Act 2010 also important to consider
- **Guidance – not a checklist**

What is vulnerability?



Is vulnerability continuous?

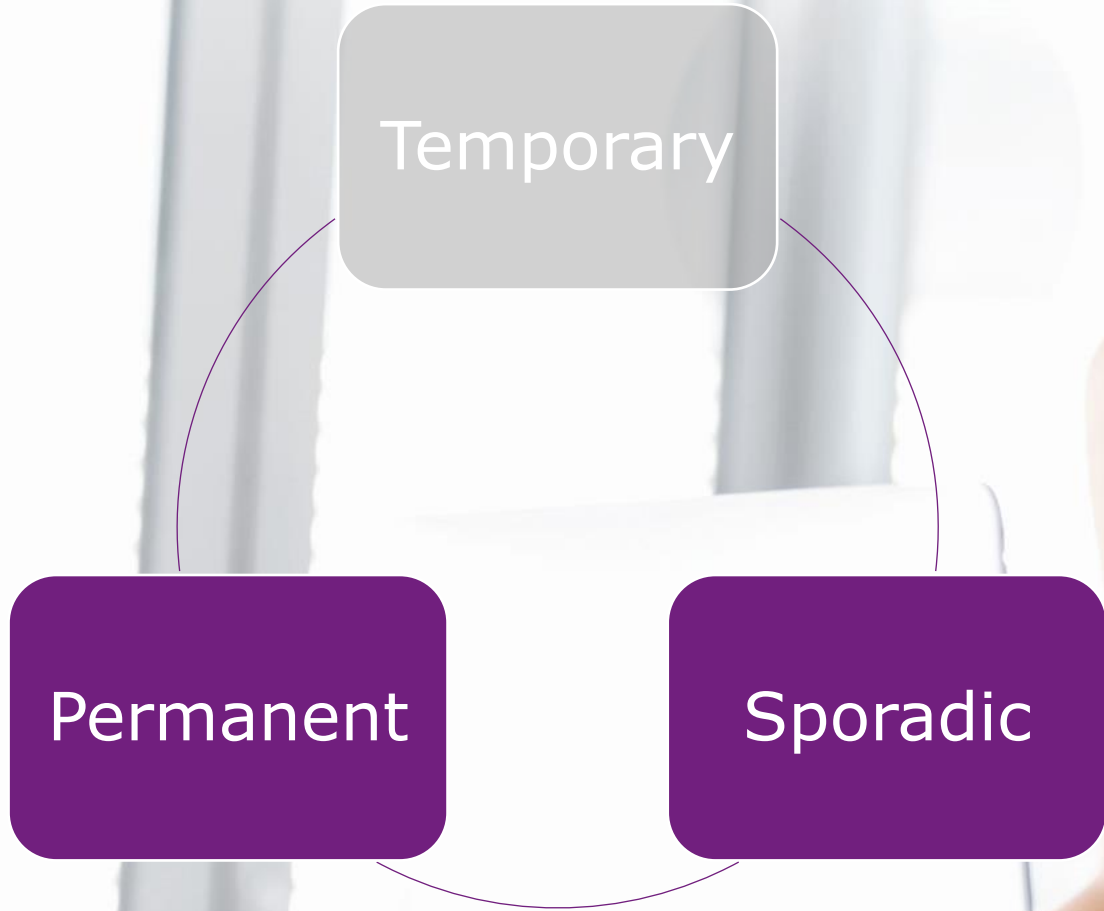
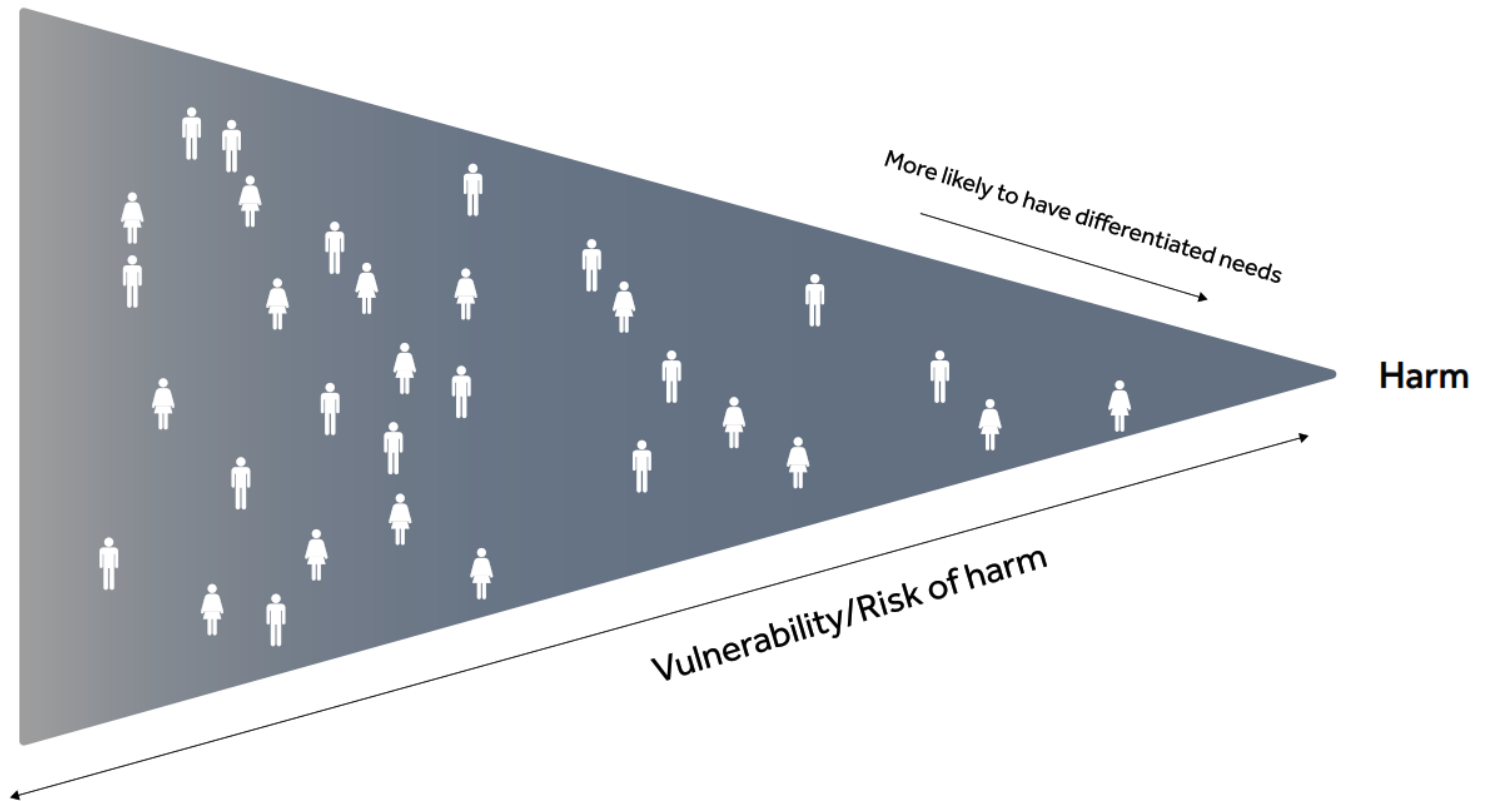




Figure 2 – vulnerability: spectrum of risk



Source: FCA Guidance Consultation and Feedback Statement GC20/3, paragraph 2.4

Customer Vulnerability

The Regulator's approach – skills and capability of staff



- **Guidance applies to all staff** (very limited exceptions – cleaners etc)
- **Products & service design:**
 - identify areas of risk for vulnerable customers and cater accordingly
 - collaborate with charities & trade organisations
- **Front line staff:**
 - skills to recognise & respond – active listening – TEXAS model
 - extract disclosures
 - record relevant information (GDPR)
 - offer practical & emotional support



Customer Vulnerability

The Regulator's approach – practical action



- **Product & system design:**
 - consider target market/customer base
 - aim for flexibility – cater for evolving customer needs
 - look for areas of inflexibility that could lead to harmful impact
- **Sales processes:**
 - focus on customer needs
 - build in signposting / recommendations for certain customers to take advice
 - can extra time be built in for vulnerable customers?
- **Websites/apps:**
 - free text functions to notify of changes
 - “hover over” definitions
 - hesitation triggers – prompt chat bots
 - Money Advice Trust & Fair Design guidance “inclusive design”

Customer Vulnerability

The Regulator's approach – practical action



Customer Service:



suitable communication channels



flexibility – “stopping the clock”



pay & reward structures – not volume/speed focused



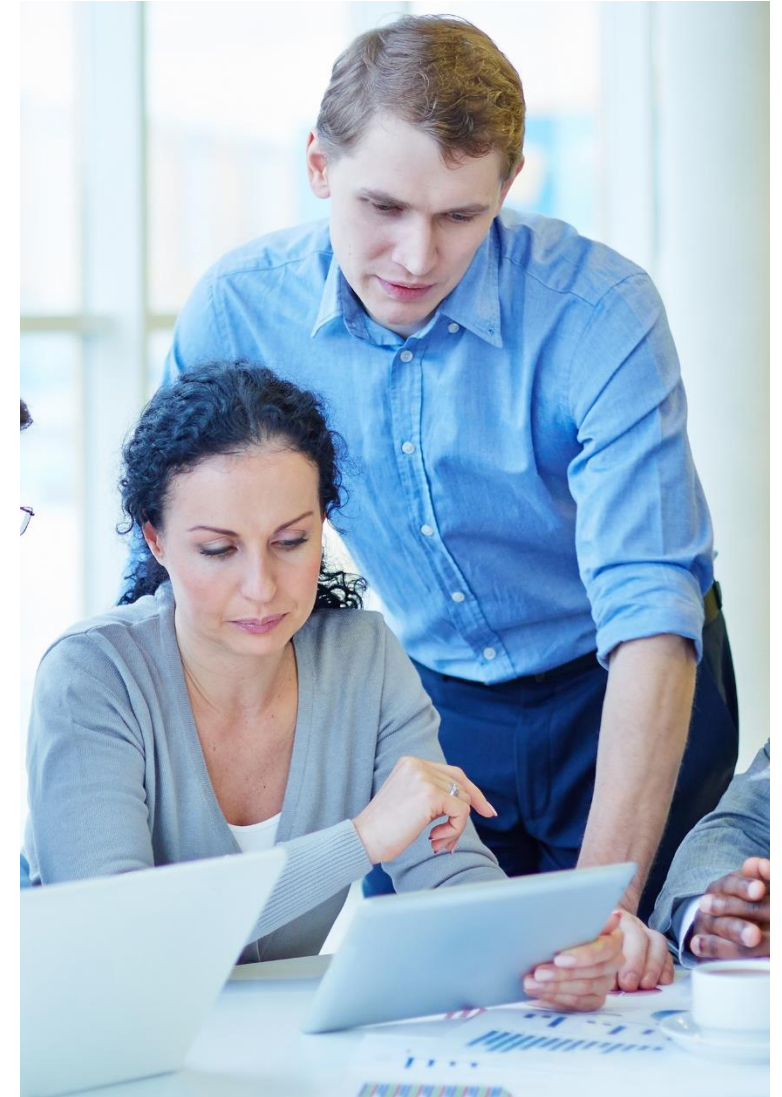
exit lines for automated phone services



support decision making & 3rd party authority

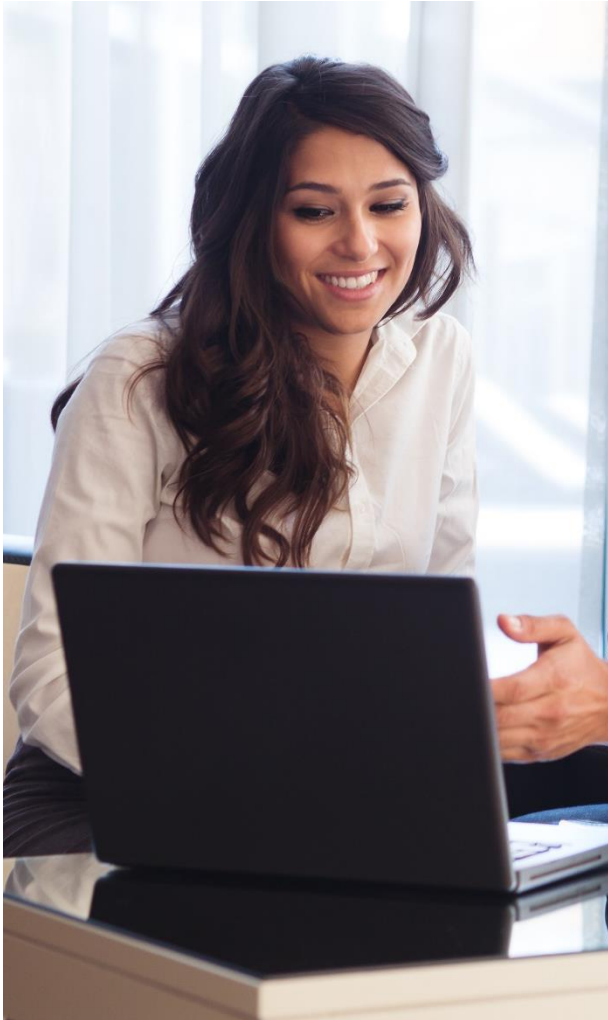


specialist support for complaints
(eg vulnerability champions/super users)



Customer Vulnerability

The Regulator's approach – practical action



Communications & interfaces:



easily read materials – 1 in 7 adults have reading age 9-11



“tell us once” approach (relies on good systems)



choice of communication channels



flexibility for tailored communications where necessary

Customer Vulnerability

The Regulator's approach – monitoring

- Quality assurance reviews – assess treatment of vulnerable customers and outcomes
- Proactive data analysis – identify areas with higher risk of harm
- MI Examples (see page 46 FCA Guidance):
 - business persistence analysis (eg claims cancellation rates)
 - distribution of legacy products/fees and charges (do vulnerable customers typically incur particular fees and charges?)
 - Training & competence records
 - Customer feedback
 - Complaint trends/root cause analysis

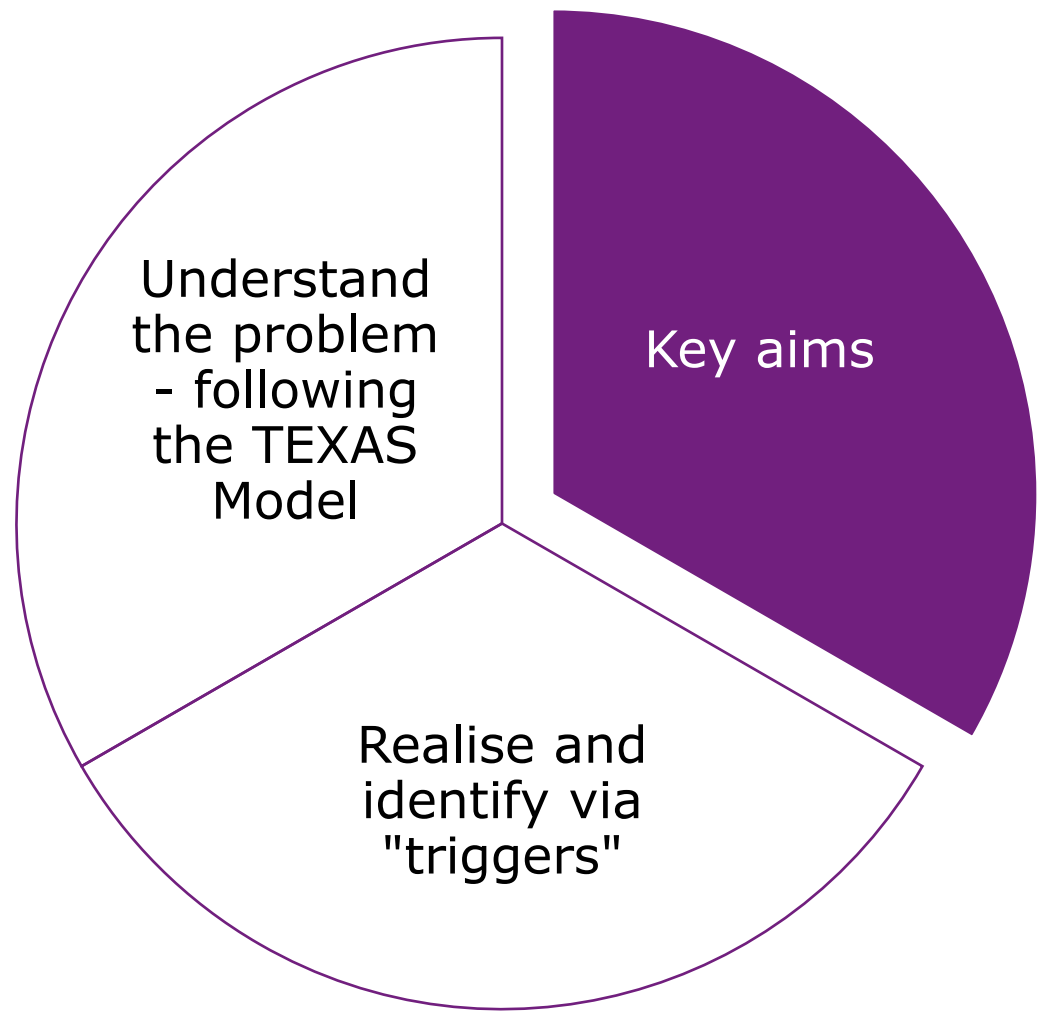
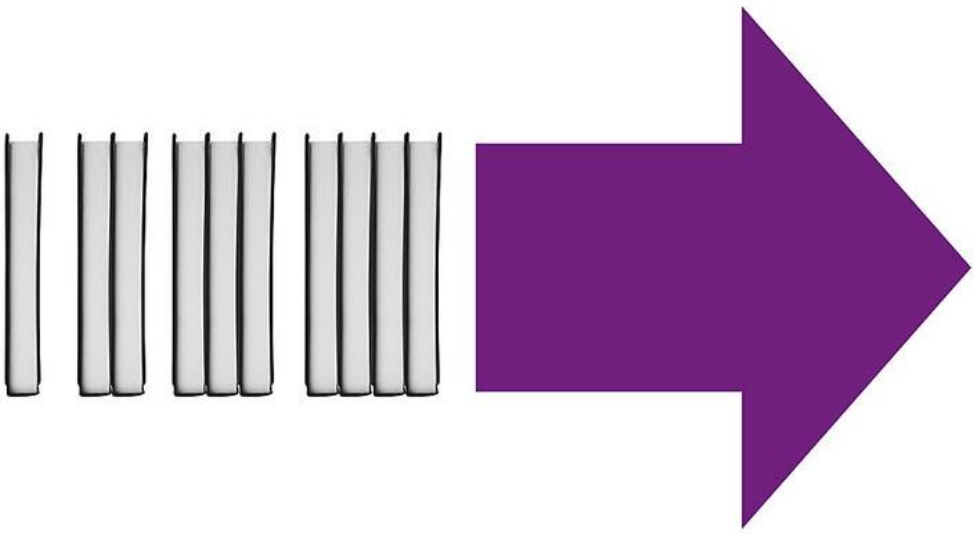




Vulnerable customers In practice



- Every situation is different – no right answer
- Structured approach can help prepare you for difficult situations
- Methods described below are based on examples of industry best practice





T

- **T**hank them – acknowledging the problem is the first step towards dealing with it and it will help you deal with their case more appropriately

E

- **E**xplain how their information will be used

X

- Obtain **eX**PLICIT consent – sensitive personal data

A

- **A**sk them three key questions – you will be in a better position to understand their situation

S

- **S**ignpost them to help

The three key questions



Impact

- *“Has your depression impacted your ability to bring a claim under your policy”*
- *Establish when, how and will it again*



Communication

- *“Does it affect your ability to communicate with us?”*
- *Establish how we can do this better*



Help and support

“Does anyone help you manage your finances such as a carer, relative or someone else?”



H

- **H**elp them by listening - don't interrupt them, let them talk to you. Stop "negotiating" and listen

A

- **A**sk the right type of questions "Have you spoken to anyone about how you are feeling?" Possibly repeat what they have said they are going to do...

R

- **R**efer – always check the caller knows how to get help recommend where they can get help and advice. You can recommend the borrower speak to an agency you work with closely, provide the number 08457 90 90 90 for The Samaritans

M

- **M**ake it clear you are taking it seriously "you've told me you are thinking of taking your own life, I take that seriously.."

E

- **E**mergencies – escalate immediately. Consider requesting a police welfare check. You can tell the customer you are going to do this. If harm to others is being suggested, you can advise the individual that the police could be informed

D

- **D**ownload – look after yourself

Your Role as a NED



- Data
- Complaints
- Technology
- Benchmarking
- What next?

Questions?



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