

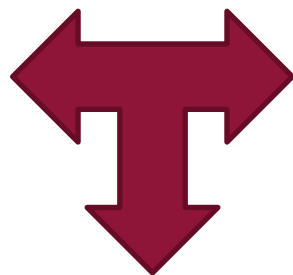


Consumer Vulnerability

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:

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.

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

Vulnerability Market Research

Purpose

Provide an independent assessment of the needs and experiences of a range of “more vulnerable” population groups

Methodology

Focus for the research is individuals with experience of 6 proxies for vulnerability:

1. carers
 2. older people
 3. long standing/significant illness
 4. bereaved
 5. job loss/unemployment
 6. low basic skills
- 58 x consumer depth interviews (2-3 hours)
 - 150 x short telephone interviews (15-20 minutes)
 - 19 x expert interviews
 - 12 x frontline staff interviews
 - 6 x group discussions with individuals attending support groups
 - Analysis of nearly 100 case studies from Citizens Advice Bureaux

Market Research findings

Effects everybody

Characterised by a range of emotional and practical consequences

Instances where firm behaviour had either directly caused, or exacerbated a problem

Poor customer interaction or systems that fail to flex to consumers' needs

Products and services **not designed to respond to inevitable vulnerability**

Negative and detrimental outcomes

Often **unintentional**

Vulnerable **at increased risk of firm exploitation**

Interviewees **did not expect charity from firms** but they **do want to trust firms**

Some consumers **'withdrawing'** from mainstream finance options

Some **pushed towards higher cost and higher risk products**, or **excluded from the market altogether**

"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'."

Launch video

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

Appendix 4

Practitioners' Pack

This document is designed to assist practitioners to begin to address the needs of consumers in vulnerable circumstances. It consolidates tips and resources gained throughout the course of the FCA's research. As such, there is some necessary duplication of content from previous Chapters. This pack draws upon resources drafted by third parties; it does not represent FCA guidance or rules. This document is geared towards firm employees tasked with the development of a vulnerable customer policy/strategy.

