

Vulnerable Consumer Policy

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. (FCA definition)

Examples of risk factors for vulnerability

Certain risk factors are particularly important within financial services:

- Low literacy, numeracy, and financial capability skills
- Physical disability
- Severe or long-term illness
- Mental health problems
- Low income and/or debt
- Caring responsibilities (including operating a power of attorney)
- Being 'older old' for example over 80, although this is not absolute (may be associated with cognitive or dexterity impairment, sensory impairments such as hearing or sight, onset of ill-health, not being comfortable with new technology)
- Being young (associated with less experience)
- Change in circumstances (e.g. job loss, bereavement, divorce)
- Lack of English language skills
- Non-standard requirements or credit history (e.g. armed forces personnel returning from abroad, ex-offenders; care-home leavers, recent immigrants)

Impact of change in circumstances and income

A change in personal circumstances can cause a consumer to fall into a vulnerable situation – all the more so if the consumer already has one or more risk factors.

People are particularly at risk in their interaction with financial services when they experience a change in circumstances that often leads to a financial shock.

This shock could be an unexpected large expense or a loss of income. A drop in income, or income volatility, can cause particular problems due to the ongoing commitment presented by many financial products. A reduction in ability to meet these financial commitments can cause both immediate and longer term problems.

In some instances, vulnerability and the associated stress can have an effect on people's emotional state, cognitive ability, and ability to function. This may include feeling stressed and anxious, feeling unable to cope, too upset to talk, finding it difficult to concentrate, think clearly, assimilate information, and make decisions, and finding it difficult to deal with new or unfamiliar tasks.

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In these conditions, the impact of a problem or difficult interaction can be magnified, and vulnerability to unscrupulous practices is increased, creating a vicious circle. The individual's practical ability to seek redress may also be diminished.

Possible Indicators of vulnerability

1. Being asked to speak up or speak more slowly
 - Can they hear the complete conversation or are they missing important bits?
 - Do they understand what you are saying?
2. They appear confused
 - Do they know what is being discussed?
 - Do they ask unrelated questions?
 - Do they keep wandering off the point in the discussion and talking about irrelevancies or things that don't make sense?
 - Do they keep repeating themselves?
 - Do they say 'Yes' in answer to a question when it is clear they haven't listened or understood?
 - They take a long time to get to the phone and sound flustered or out of breath, indicating they may have a lack of mobility due to age or illness
 - They take a long time to answer questions. They say "My son/daughter/wife/husband deals with these things for me"
 - A language barrier exists since they may not fully understand what is being said to them.
 - They say that they don't understand their bill, a previous phone conversation or recent correspondence.

Practical tips when talking to vulnerable consumers

1. Speak clearly and enunciate
2. Set expectations - outline all the information that will be required – bank account numbers, personal details etc
3. Be patient and empathise
4. Don't rush them - if they need to put the phone down, or time to go to look for something, to find account details etc, be aware that it could take them some time.
5. Guide the conversation to keep it 'on topic'.
6. Don't assume that you know what the consumer needs - it's easy to rush through if the consumer is slow or not able to explain what they need.

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Vulnerability affects us all

We, or our family and friends, can all face times of stress and difficulty, when our abilities to cope may be compromised.

For example, we may experience a change in circumstances such as job loss or bereavement, or onset of a serious illness. In some cases, these difficulties may be short lived, but for many they may be longer term or permanent.

Large numbers of people have longstanding physical or mental conditions that can make interacting with financial firms challenging. Financial services should be designed so that they make the hard times easier – whereas, in reality, some of the barriers people face when interacting with financial services make an already stressful situation worse, and result in further harm for consumers.

Vulnerability has many forms. It can be caused by long-term characteristics such as a disability, or short-term circumstances such as job loss. It can be sudden, such as the diagnosis of serious illness, or gradual, like dementia. It can fluctuate and be episodic, as in the case of some mental illness.

Most of us will experience some sort of vulnerability at some point.

People are particularly at risk in their interaction with financial services when they experience a change in circumstances that leads to a financial shock. Income shock is common and could come in the form of an unexpected large expense, or a loss of income due for example to job loss, reduction in hours, illness, bereavement, or taking on caring responsibilities.

Vulnerability is not just something to do with the characteristics of the consumer – it can be created or exacerbated by the policies and practices of firms. The way firms design their systems and processes can make a huge difference to the ease with which consumers interact with them. Training directors and appointed representatives to listen and understand, equipping them with flexible options and, where appropriate, providing directors and appointed representatives with the ability to refer particular problems to specialists within a firm that have the expertise and discretion to address difficult situations can also help.

Rather than designing products and processes for a mythical perfect customer the broad range of experiences of real consumers' needs to be taken into account.

The impact on the consumer of a firm failing to deal appropriately and flexibly with vulnerability can be severe. From a financial point of view, people may be tipped into a spiral of debt, feel the need to take out high-cost products (such as payday loans) or take on higher risks (e.g. travel without insurance). Some may withdraw from the market altogether, preferring to maintain control by keeping cash at home. An unsatisfactory interaction with financial services can create additional stress, increase isolation, dependency or exposure to fraud (for example by sharing cards and PINs), and take up valuable time and energy for people who are already in a difficult situation.

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Types of vulnerability

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 us.

- Many people in vulnerable situations would not diagnose themselves as 'vulnerable'
- The clear message is that we can all become vulnerable.
- To enable us to identify potential vulnerability and prioritise our efforts, here at Tackle Finance Limited we use a risk factor approach.

Summary

- Vulnerability involves the interplay between individual circumstances, situations and market factors
- A consumer's state of mind can have a major impact on behaviour and decisions
- A change in circumstances, and multi-layered risk factors, are particular flags for potential vulnerability
- The number of people involved is large and rising - prioritisation is vital to achieve a realistic approach

Vulnerability is not just to do with the situation of the consumer. It can be caused or exacerbated by the actions or processes of our firm. The impact of vulnerability is strong, and many people are trying to cope with difficult situations and limited resources, energy and time. Stress can affect state of mind and the ability to manage effectively. In such conditions, being confronted by a complex telephone menu system that gives no option of talking to a person; a 'computer says no' response; a call handler without time or inclination to listen, or a system that fails to record what may be distressing circumstances and forces the customer to repeat themselves at every point of contact, can all create a spiral of stress and difficulty, resulting in detriment.

In order to address the needs of vulnerable customers correctly, it is important to be able to identify them. In many cases, more than one risk factor is present which increases the consumer's vulnerability.

Our directors and appointed representatives need to be alert to the signs that the person they are talking to may not have the capacity, at that moment in time, to make an informed decision about the implications of the agreements that they are being asked to make. This is not a diagnosis of a condition; it is just an extension of a director's and appointed representative's existing skill of listening, identifying needs, and adjusting their approach accordingly.

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FCA Research (From Occasional Paper 8 Feb 2015)

Financial services, products and systems often 'streamline' consumers and are not designed to meet nonstandard needs of those who don't fit into a set mould.

The response of frontline Directors – whether it's in a branch or on the phone – is crucial to the customer's experience. The firm may have great specialist teams or policies, but if frontline Directors don't deal with the situation appropriately, access to a good outcome may be missed.

Directors on the frontline do not need to be experts, but they need sufficient training to facilitate a proper conversation, to know where internal expertise lies, and know how and when to refer on.

Most problems relate to poor interactions, or systems that don't flex to meet needs, therefore making people's situations more difficult.

Some consumers are overwhelmed by complex information and can find it hard to distinguish between promotional material and important messages about their products.

In some areas, an inaccurate interpretation or overzealous implementation of rules (such as those around data protection or affordability) is preventing firms from meeting the needs of vulnerable customers.

Many vulnerable consumers may be valuable customers if firms respond to their needs and treat them flexibly. However, these consumers may withdraw from the mainstream market and their problems may spiral if their needs are not met.

A good vulnerability strategy will benefit all customers

In many ways, products and services that are designed in an inclusive way to respond better to the needs of those in vulnerable circumstances will also work better for the majority of customers, increasing levels of customer satisfaction. Therefore, embedding an inclusive strategy that aims to make services available, usable and accessible to all regardless of personal circumstances, will lead to better performance for everyone in the longer term and, arguably, greater levels of consumer satisfaction across the board.

Part of the FCA's role is to protect consumers - fair treatment is integral to this.

Consumers in vulnerable circumstances may be less likely than others to be able to represent their own interests, and more likely to suffer severe detriment if something goes wrong. In order to be treated fairly, customers need well-designed, straightforward to understand products that meet their needs over their lifetime, and flexible service that is able to respond to individual circumstances.

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What we are doing at Tackle Finance Limited:

Mitigation Plans

To ensure a consistent approach that is embedded across all operations, it is important to have a high-level policy on consumer vulnerability in place and it is important that all relevant directors and appointed representatives are aware of the policy. Ongoing evaluation of the effectiveness of a vulnerability strategy plays a significant role.

Flexibility in the application of terms and conditions of products and services plays a significant role in ensuring the needs of consumers in vulnerable circumstances are met.

Good policies and practice in handling disclosure or communication needs of consumers and recording of that information effectively play a key role for consumers and are helpful to directors and appointed representatives. Actively encouraging disclosure, by directors and appointed representatives being able to have proper conversations, has been shown to be helpful here.

Clear, simple information and explanation throughout the product life cycle is important to all consumers.

Policies around data protection in particular, but also safeguarding and affordability, need to be implemented based on a correct understanding. If directors and appointed representatives are well trained they are less likely to apply such policies in an overzealous manner which can create problems for customers. For example, proper affordability is vital to the wider protection of consumers, but firms should have systems in place to allow for appropriate discretion.

Choice of ways of communicating

We have a choice of ways of communicating available whenever customers need to make contact with us, and these are designed in an inclusive way so that they are flexible, clear, easy to understand and meet customer's needs.

Treating people as an individual

We recognise that each individual is bound within an individual set of circumstances and our responses are tailored accordingly – it is our intention to always listen carefully, let the conversation take its course without judgement and ensure the message from the customer is clearly understood before undertaking any actions.

It is our intention to diligently record information properly so that customers do not have to be repetitive if they contact us later and we are able to refresh our understanding prior to making any further contact with them.

We are committed to deal openly and transparently with a vulnerable person's representative/carer and be as upfront with any help and information we are legally able to provide – we will always seek ways to help and not rely on overzealous interpretation of regulations to exclude.

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For example, if someone is recently bereaved, has a power of attorney or a third party mandate, we will ensure they receive consistent advice and treatment.

As a business we are committed to changing the way we deal with vulnerable customers that may not be effective and, like Treating Customers Fairly and Consumer Duty, this is a standing item on our board agenda.

We promote a culture where directors and appointed representatives are encouraged to understand and empathise with vulnerability. We recognise that directors and appointed representatives who provide the first point of contact with customers may not have much experience of people in vulnerable circumstances. Building knowledge of various vulnerabilities and the number of people involved, encouraging an appreciation of what life can be like for some people in difficult circumstances and encouraging a desire to help, is key to this culture. All directors and appointed representatives who deal directly with customers need to know enough about vulnerability to pick up on warning signs or triggers and signpost/refer on appropriately. It is acknowledged by us that directors and appointed representatives cannot be expected to be experts on all types of illness.

It is recognised that our directors and appointed representatives may feel awkward or scared of having conversations around issues such as mental or other forms of illness, stressful situations and dealing with customers who may be distressed. Therefore, they may not feel able to encourage customers to disclose vulnerabilities. We aim to remove as much of this fear as possible, via increased understanding.