

SUPPORTING

Vulnerable Customers

Read time: 9 mins



Hello,

The FCA has produced guidelines on the treatment of vulnerable customers to ensure firms comply with the principles for business and meet all their clients' needs. Specifically, guidance on vulnerable customers is in line with Principle 6 - Customers Interests: ***A firm must pay due regard to the interests of its customers and treat them fairly.***

Additionally, under the Insurance Distribution Directive (IDD), those involved in insurance distribution are expected to have the minimum necessary knowledge to assess customer needs.

The directive means that you must consider all customers' needs, including vulnerable customers whose needs may be more complex.

This ebook will explore the key areas you need to consider to identify and support any vulnerable customers successfully.

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What is a Vulnerable Customer?

FCA Definition

The FCA defines a vulnerable customer as someone who, due to their personal circumstances, is especially susceptible to harm, mainly when a firm is not acting with appropriate levels of care.

Where a customer has characteristics of vulnerability, it may:

- » result in them having additional or different needs
- » limit their ability or willingness to make decisions or represent their own interests
- » mean that they are at a greater risk of harm if not provided with an appropriate level of care



Vulnerable Customers

Guidelines for Good Outcomes

According to the guidelines, to achieve good outcomes for vulnerable customers, firms should:

Understand the needs of their target market or customer base.

Ensure their staff have the right skills and capability to recognise and respond to the needs of vulnerable customers.

Respond to customer needs through product design, flexible customer service provision and communication.

Monitor and assess whether they are meeting and responding to customers' needs with vulnerability characteristics and make improvements where this is not happening.

Firms should have a robust vulnerability strategy in place, which includes the following:

- » Ensuring staff have the appropriate training to identify and assist vulnerable customers.
- » Promoting inclusion and the provision of accessible services
- » Ensuring that all customers are treated fairly.



DRIVERS OF Vulnerability

Drivers of Vulnerability

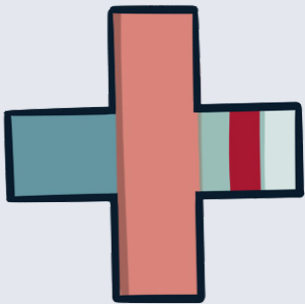


Background

As vulnerability occurs due to an individual's personal circumstances, it can be driven by several factors.

The FCA defines four key drivers of vulnerability.

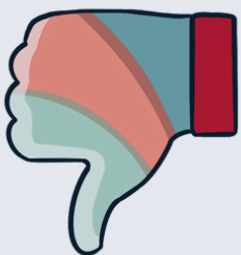
- » Health
- » Life Events
- » Resilience
- » Capability



Health

Health conditions or illnesses that affect the ability to carry out day-to-day tasks, such as:

- » Physical disability
- » Severe or long-term illness
- » Hearing or visual impairment
- » A mental health condition or disability
- » Addiction
- » Low mental capacity or cognitive disability

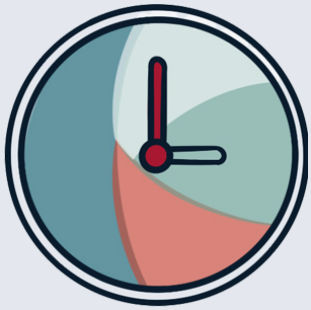


Resilience

Low ability to withstand financial or emotional shocks, such as:

- » Have inadequate or erratic income
- » Over-indebtedness
- » Low savings
- » Low emotional resilience

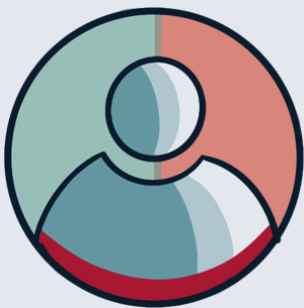
Drivers of Vulnerability



Life Events

Life events, such as:

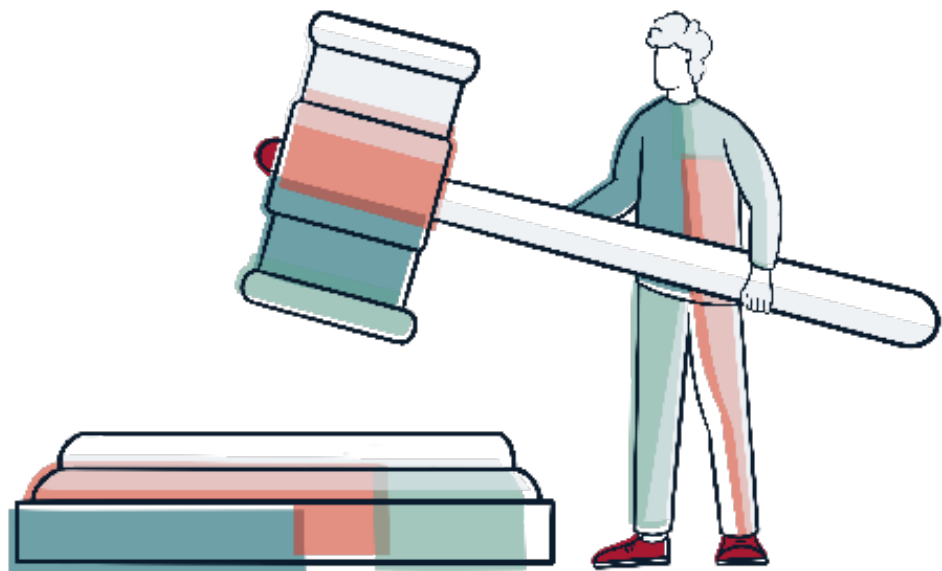
- » Bereavement
- » Income shock
- » Relationship breakdown
- » Domestic abuse, including economic control
- » Caring responsibilities
- » Other circumstances that affect experiences of financial services, such as:
 - » Leaving care
 - » Criminal convictions
 - » Seeking asylum



Capability

Reduced or limited capability, such as:

- » Low knowledge or confidence in managing finances
- » Poor literacy or numeracy skills
- » Poor English language skills
- » Poor or non-existent digital skills
- » Learning difficulties
- » No or insufficient access to help or support



KEY

Legislation

Key Legislation

The Equality Act 2010

Although staff should be careful not to make assumptions, certain groups of consumers may be more likely to have the characteristics of vulnerability. These are frequently groups with protected characteristics under the Equality Act 2010. For example, the driver of vulnerability health often overlaps with the protected characteristic disability.

Many characteristics of vulnerability can coincide with or lead to others. For example, a consumer with a severe health condition may be more likely to fall into debt, and that debt could, in turn, worsen the consumer's mental health.

Vulnerability can also be temporary. A person who is recently bereaved and grieving is likely to be vulnerable; that bereavement might have been sudden and unexpected, meaning they may find it hard to concentrate and fully comprehend the more long-term implications of their decisions.

Anyone not previously classed as vulnerable may become so, and vice versa. Ultimately, anyone can become vulnerable at any time.



Key Legislation

The Mental Capacity Act 2005

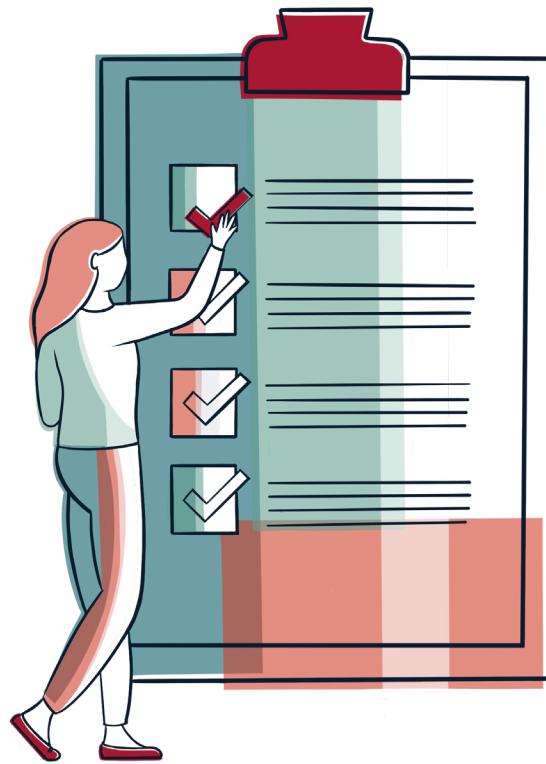
Vulnerable customers are often those who cannot make rational financial decisions or those who may not understand the implications of the decisions they make at the time.

The Mental Capacity Act 2005 is a piece of legislation which covers those who may lack the capacity to make particular decisions for themselves. This may include those with

- » Dementia
- » A severe learning disability
- » A brain injury
- » Mental health illness
- » A stroke

It may be the case that someone presents as capable and can make various day-to-day general decisions but lacks the capacity to decide on more complex issues such as financial matters.





OUR Obligations

Our Obligations

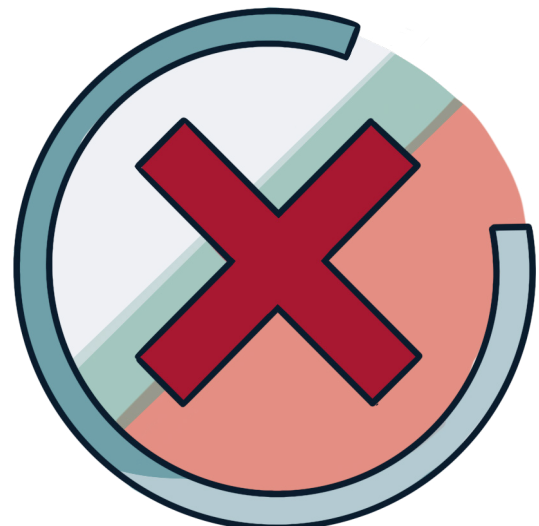
Avoid assumptions

Although recognising and responding to vulnerability is vitally important, Assumptions should not be made that a customer is vulnerable when this may not be the case.

For example, although there are some age-related factors to be aware of, such as:

- » Access to and ability to use new technology
- » Increased likelihood of ill health
- » Impairment of sight/hearing

A person's age is not necessarily an indicator of vulnerability. At a glance, an 89-year-old may appear more vulnerable than a 52-year-old. However, it could be that the 89-year-old can make complex decisions, while the 52-year-old may suffer from a mental health illness or early-onset dementia.



Our Obligations

Signs to look out for

Having an awareness of the following factors may help identify if a customer needs additional assistance:

1. Changes in payment behaviour, such as
 - » Payments stopping suddenly
 - » Late or missed payments
 - » Unusual activity on an account

2. Phrases such as:
 - » I can't pay
 - » I can't read my document
 - » I don't understand the letter you sent me
 - » I hate all these buttons
 - » I can't hold on all-day

3. Other signs such as:
 - » Shortness of breath or signs of agitation
 - » Requests for repetition
 - » A sign that information is not being retained
 - » Signs that the consumer does not understand
 - » Mention of debt moratorium or contacting a debt advisor
 - » Mention of medication

Our Obligations

Summary

Financial services staff are not expected to be experts in handling all the various forms of vulnerability they might encounter. It would be unreasonable to expect this but identifying a situation where there is or may be a problem is beneficial, as staff are more likely to demonstrate flexibility in their responses and use their judgement to help the customer.

Where a staff member is not in a position to be able to deal with the issue themselves, they should be able to direct the customer to the most appropriate individuals, departments or third-sector organisations that are capable of meeting the customer's needs.





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