

- ▶ **I have trained more than 2,000 individuals to become ACII qualified**
- ▶ I have trained over 50% of the individuals in the last 8 years that have gone onto achieve the highest ACII pass in the whole of the UK.
- ▶ I train to a pass rate of more than 96% in all CII qualification levels. Certificate , Diploma and Advanced Diploma.
- ▶ I deliver the Allianz scholarship and academy programmes in both the UK and Ireland and I have been a Cii examiner.
- ▶ I have trained students who have won national prizes in almost all ACII subjects including Insurance Law (MO5), Liability (M96), Commercial Property and BI (M93), Personal Lines Insurance (P86), Business and Finance (M92), Underwriting Practice (M80), Advanced Underwriting (960), Claims Practice (M85), Advanced Claims (820), Marketing (945), Advanced Broking (930) and Advanced Risk Management (992).

Objectives

- ▶ Understand the background
 - ▶ Describe what a vulnerable customer is
 - ▶ Explain and give examples of ways to recognise vulnerable customers
 - ▶ Give examples of good practice
 - ▶ Explain benefits of doing it well and consequences of not!
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Background

- ▶ FCA research in 2015 and 2016 and a thematic review found vulnerable customers are not always treated fairly
- ▶ Consumer Vulnerability was a recurring theme in the FCA's 2017 business plan
- ▶ Andrew Bailey (CEO of the FCA) has repeatedly expressed his personal concern

Background

- ▶ There are numerous examples where vulnerable customers have suffered – probably too many to mention.
- ▶ They range from PPI sold to people looking for a loan, to pay day loan companies offering 5000% APR, to firms selling products that played on people's worries (identity theft protection).
- ▶ The Citizens advice bureau has launched a super complaint over the fact they estimate loyal customers are paying a loyalty penalty of £4.1 billion per year (this includes power supply as well as insurance).

FCA stated in April 2019

- ▶ Customers are being routinely let down by firms that
- ▶ Lure customers into buying inappropriate products
- ▶ Paying excessive prices for insurance products that offer little value
- ▶ Receiving poor service

- ▶ Products particularly in the firing line are Travel, tradesmen, GAP and mobile covers
- ▶ A Dear CEO letter was sent out as a result of their findings

Background

- ▶ ***Many vulnerable customers feel that financial services have become so streamlined and one-size-fits all, designed around a mythical perfect customer, that they cannot meet the needs of the of the many “non-standard” consumers who do not fit this mould***

FCA Occasional paper 8
Customer Vulnerability
Feb 2015

Vulnerable Customers



What are Vulnerable Customers?

The Definition

Different Types of Vulnerability

The Size of the Problem

The Definition

The Financial Conduct Authority (FCA) define Vulnerable Customers as:

“Someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care”

The Definition

- ▶ The FCA has increased its concerns with Vulnerable Customers since taking on the responsibilities of regulating Consumer Credit
- ▶ Customers in this area were found to have been targeted by firms due to vulnerability in their personal circumstances – for example payday loans



Different Types of Vulnerability

These **personal circumstances** could fall under any of the following categories:

- ▶ Physical
- ▶ Mental
- ▶ Emotional
- ▶ Cultural
- ▶ Age



Different Types of Vulnerability

Physical

- ▶ For example **poor eyesight** may mean a Customer can't read the small print
- ▶ **Impaired hearing** may mean they miss important messages



Different Types of Vulnerability

Mental

- ▶ For example mild **dementia** or poor **memory** may lead to confusion or mistakes
- ▶ **Learning difficulties** may make it difficult for customers to understand complex matters



Different Types of Vulnerability



Mental

- ▶ Issues with **Mental Health** are much more common than people realise
- ▶ They may not be noticeable and they are not always something a Customer may be willing to talk about

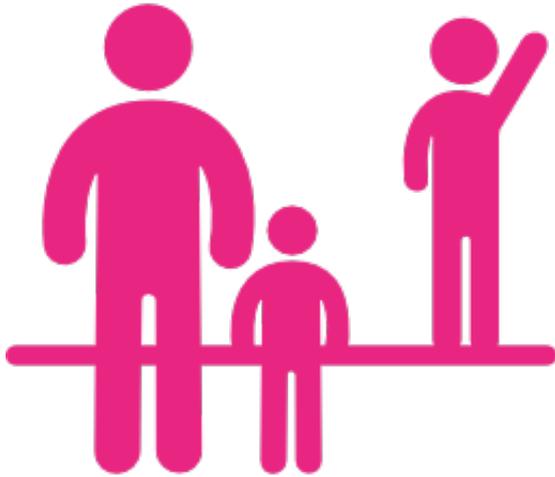
Different Types of Vulnerability

Emotional

- ▶ For example they may have suffered a recent serious upset or **bereavement**
- ▶ They may be suffering extreme **stress** or worry in their personal life



Different Types of Vulnerability



Emotional

- ▶ Personal Circumstances may be particularly difficult, for example relationship problems

Different Types of Vulnerability

Cultural

- ▶ For example recent immigrants may **lack understanding of their rights** or obligations or technical terms
- ▶ **Poor communication skills**
 - for example they may need someone to act as a translator



Different Types of Vulnerability

Age

- ▶ Young people may have a poor appreciation of **risk**, or **lack experience** in what cover they need
 - ▶ Older Customers may have **misplaced loyalty**, be too **trusting** or have greater **respect for authority**
 - ▶ Older Customers may lack **computer skills** or **internet access**
 - ▶ The **impact of fraud** on them may be greater than other groups
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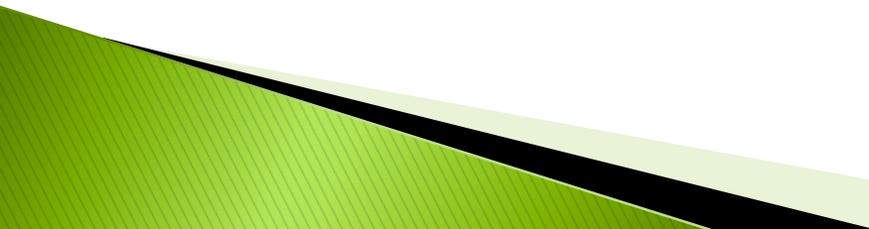
The Size of the Problem

- ▶ **We can all become vulnerable!**

Important to note

- ▶ Vulnerability may not be constant, it can be temporary
- ▶
- ▶ It can depend hugely on circumstances

For example:

- ▶ Have you ever felt stressed?
 - ▶ Have you ever felt like you were talking to a brick wall when trying to talk to someone about a financial or insurance product?
 - ▶ Have you ever felt like you were being passed from pillar to post or been tied up in a telephone loop system?
 - ▶ Have you ever tried to speak to a human being to explain something to them but were unable to as they only offered online support?
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The Size of the Problem

- ▶ 850,000 people in the UK have some form of dementia
 - ▶ 1 in 6 people over age of 80 have dementia
 - ▶ This is set to rise to over 1 million by 2025 and 2 million by 2051
 - ▶ Just under half of UK adults have a level of numeracy of an 11 year old or below
 - ▶ 1 in 7 adults have a reading age of an 11 year old
 - ▶ 5 million people in the UK suffer from a disability
 - ▶ In England and Wales 138,000 reported they could not speak English at all
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The Size of the Problem

- ▶ Half the adults in the UK do not have enough savings to meet an unexpected bill of £300
 - ▶ Every year 1 in 4 adults experience some sort of mental disorder
 - ▶ Almost 9 million people are deaf or hard of hearing
 - ▶ 20% of the adult population (11m) have a criminal record (30% of all men and 9% of all women) – most are one time offenders. Of these 735,000 are unspent – are insurers/brokers systems good enough here!
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Vulnerable Customers



How to Recognise them

**How to Recognise the different types of
Vulnerable Customers**

How to Recognise them

Physical

- ▶ It is against the law to discriminate against someone on the ground of **disability**
 - ▶ It is always wise to ask, even if not required by the application
 - ▶ If a customer asks you to speak up it may indicate a **hearing disability**
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How to Recognise them

Physical

- ▶ As it may be difficult to know about **poor eyesight**, documents must avoid putting important information in “small print”
 - ▶ Documents should also be available on request in large print, if possible
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How to Recognise them

Mental

- ▶ It is against the law to discriminate against someone on the ground of **disability**
 - ▶ A Customer may appear **confused**, or they may ask you to **speak slowly**
 - ▶ You should always check their **understanding** about important points
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How to Recognise them

Emotional

- ▶ The tone of voice will often indicate if the Customer is **stressed** or anxious or sad
 - ▶ If they **slur** their words they may be under the influence of drink or drugs
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How to Recognise them

Cultural

- ▶ It is against the law to discriminate against someone on the ground of **Race or religion**
 - ▶ Lack of fluency in English or asking lot of unusual questions may indicate they are new to the country
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How to Recognise them

Age

- ▶ It is may be against the law to discriminate against someone on the ground of **age**
 - ▶ For credit, it is a criminal offence to send material to anyone under 18 years of age offering credit
 - ▶ Credit may be available under that age but an adult must act as guarantor
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Vulnerable Customers



Treating them fairly

Treating them fairly

- ▶ All firms that are regulated by the FCA must have **Management Information** that demonstrates they treat their Customers fairly
 - ▶ This means each Customer must be treated individually
 - ▶ Reasonable allowances must be made for Vulnerable Customers
 - ▶ You must never take advantage of their lack of knowledge, mental or emotional state
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Treating them fairly

Physical

- ▶ You are obliged by law to make “*reasonable adjustments*” when dealing with disability
- ▶ It is always wise to ask, even if not required by the application

Treating them fairly

Physical

- ▶ You should **speak slowly and clearly** where a customer indicates a lack of understanding or says they can't hear
 - ▶ Key points of the contract should always be given verbally as well as in writing
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Treating them fairly

Mental

- ▶ Contracts may not be valid if the Customer lacks mental capacity
 - ▶ If they appear confused you should **speak simply and slowly**
 - ▶ You should periodically **check they understand**
 - ▶ You should show tact and **empathy**
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Treating them fairly

Emotional

- ▶ Tact and **empathy** are needed when a customer is upset
 - ▶ If they are unduly disturbed, you should offer to **postpone the discussion**
 - ▶ People under emotional pressure may not act rationally
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Treating them fairly

Cultural

- ▶ Where the Customer has a poor command of English, you should **speak slowly and simply**
 - ▶ You should “*go the extra mile*” when explaining important points
 - ▶ You should **check understanding** frequently
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Treating them fairly

Age

- ▶ When dealing with young people **do not assume** they understand common terms (Indemnity, Excess, Disclosure)
 - ▶ **Explain** percentages and APR when arranging Credit
 - ▶ When dealing with the elderly, treat them as if they were your mother or father – i.e. with **care and respect**
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Indicators

- ▶ Phrases such as
 - ▶ I'm having trouble with
 - ▶ I cant read my bill
 - ▶ I cant understand the letter you sent me
 - ▶ I cant hold on all day
 - ▶ I am short of time
 - ▶ Asking for repetition
 - ▶ Mention of medication
 - ▶ Customer confused
 - ▶ Payment default
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Benefits of doing it well

- ▶ Good for customer
 - ▶ Good for firm – e.g. reputation, saving time, reduce possible complaints
 - ▶ Customer Loyalty
 - ▶ Don't fall foul of legal requirements
 - ▶ Moral and ethical reasons and is good business practice
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What should firms do

- ▶ Have clear plans and strategy for dealing with Vulnerable customers
 - ▶ Provide training and support to staff to recognise and deal with vulnerable customers or sign post to specialist team
 - ▶ Review customer communications
 - ▶ Make sure you record customer needs
 - ▶ Scripts can be a barrier – rushed “one-size-first all approach”
 - ▶ The firm should have good management information to be able to report on how its doing and should be able to articulate what steps they have/are taking
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