



Front of mind

Joanne Davis

Protecting Vulnerable Customers

Protecting vulnerable customers is a key focus for the FCA and is more important now in light of the impact of Covid-19. The FCA's guidance is really useful to help ensure that firms treat vulnerable customers fairly and includes useful examples on how to put the FCA's guidance into practice.

The FCA have set out that firms should think about vulnerability as a spectrum of risk. All customers are at risk of becoming vulnerable and this risk is increased by characteristics of vulnerability related to four key drivers:

1. Health – health conditions or illnesses that affect ability to carry out day-to-day tasks.
2. Life events – life events such as bereavement, job loss or relationship breakdown.
3. Resilience – low ability to withstand financial or emotional shocks.
4. Capability – low knowledge of financial matters or low confidence in managing money (financial capability). Low capability in other relevant areas such as literacy, or digital skills.

The main focus on the FCA's guidance is on its Principles for Businesses which now looks at firms' obligations and ensures they treat vulnerable customers fairly. It explains that to achieve good outcomes for vulnerable customers, firms should:

- Understand the needs of their target market and customer base.
- Ensure staff have the right skills and capability to recognise and respond to the needs of vulnerable customers. This means that firms must embed the fair treatment of vulnerable consumers across the workforce.
- Understand how their role affects the fair treatment of vulnerable consumers.

- Have the necessary skills in their front line to recognise and respond to a range of characteristics of vulnerability as well as be able to offer practical and emotional when dealing with vulnerable consumers.
- Respond to customer needs throughout product design, flexible customer service provision and communications.
- Monitor and assess whether they are meeting and responding to the needs of customers with characteristics of vulnerability, and make improvements where this is not happening.

The expectations are for firms to understand what characteristics of vulnerability are likely to be present in their target market or customer base. The FCA gives an example for the finance industry that if a firm is selling high-cost credit, its customer base may have common characteristics of vulnerability caused by a lack of financial resilience, such as inadequate or erratic income.

There are some characteristics of vulnerability, such as bereavement and relationship breakdown that will be present in all sectors and may lead to further vulnerability such as mental ill-health or low resilience, which could be made worse if the consumer has low or limited capability to engage with financial services or to manage their finances.

Who does it apply to?

The Guidance applies to all firms where the Principles apply, regardless of sector and is relevant to the supply of products or services to retail customers who are natural persons, even if a firm does not have a direct client relationship with the

customer. Even though the Guidance only applies to firms' dealings with retail customers who are natural persons, the FCA stipulates that firms should remember that the Principles, including the obligation to treat customers fairly, extend to all customers.

Do product and service design take into account Vulnerable Customers?

The FCA makes it very clear that where firms design products and services that do not take into account the needs of vulnerable consumers, there is a risk that these consumers can suffer harm as their needs may not be met from the start. Products and services can have inherent features that could be harmful to some vulnerable consumers.

Firms must:-

Ensure all communications and information about products and services are presented in ways that are understandable for these consumers.

Firms should proactively check that consumers with characteristics of vulnerability that may impact their comprehension, understand information provided about a product or service.

Firms will need to ensure that they continue to comply with the relevant requirements of the General Data Protection Regulation ("GDPR") and the Data Protection Act 2018 ("DPA 2018").

Remember!

- Identify your vulnerable customers.
- Keep records of information about your customers' vulnerability.
- Offer appropriate and flexible

solutions for vulnerable customers.

- Communicate with your customers.
- Ensure that staff and call handlers have the necessary experience and expertise.
- Have sound monitoring of customer interactions and provide adequate management information.
- Management, oversight and other processes to be appropriate.
- Culture: Firms should make sure that they embed a customer-focused approach with emphasis on good customer outcomes and escalation.

How Auxillias can help:

The FCA requires firms to understand what harms their customers are likely to be vulnerable to, and ensure that customers in vulnerable circumstances can receive the same fair treatment and outcomes as other customers. This needs to happen through the whole customer journey from product design through to customer engagement and communications, and firms must comply. Auxillias can support clients in updating their policies to incorporate the changes, whilst ensuring that the day to day procedures and approach to customers are fully implemented and compliant across both the Lenders' and Brokers' journey. This includes the changes required in the Collections environments, particularly to internal flagging systems – now that a new definition of 'vulnerability' is required to be implemented. ■



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Commercial Finance Expo – no more virtual reality

On 30 September, the National Association of Commercial Finance Brokers (“NACFB”) returns to Birmingham’s NEC, and Leasing World will be there. In fact “will be there” isn’t quite forceful enough. We wouldn’t dream of being anywhere else.

The NACFB made a good fist of turning the Commercial Finance Expo online in 2020, but there’s a widely-shared view that there simply isn’t any substitute for bringing all the industry’s great and good under one (huge) roof. There is at least one online element – there’s a Show App that aims to ensure you don’t miss an exhibitor – but fundamentally, this is an occasion to meet the people you’ve not seen in 3D for what feels like a decade.

As ever, this is a free event, the largest of its kind on the commercial finance calendar, and open to anyone with an interest in commercial finance (always with a strong asset finance contingent).

The NACFB says, “Intermediaries remain valuable allies for lenders in the effort to match ambitious small firms with the right kind of growth capital. Our members see small business clients increasingly asking them for information about alternative types of funding and the NACFB Expo is the ideal forum for brokers to upskill themselves on the range of new products available.”

There hasn’t been an Expo where Leasing World hasn’t walked away with a deal, an agreement and a new contact that we wouldn’t have made any other way.

It seems unlikely we’re addressing many people who have never attended the Expo before, so these are reminders to ourselves as much as to our readers: bring comfortable shoes, throat sweets and about three times as many business cards as you need (the business card may be an old piece of technology, but it’s still invaluable). You’ll find yourself doing a lot of walking and a lot of talking, and, as I mentioned, a quite remarkable amount of business card swapping. We’ll have details of the day’s conference and agenda plans up on our website as soon as we can and in the meantime, we suggest let the NACFB know you’re on your way by registering at www.commercialfinanceexpo.co.uk. And we shall see you there. ■

