

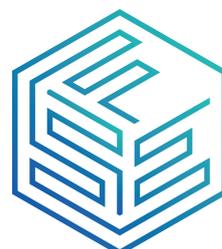


Evolving our response to the needs of vulnerable customers

September 2023



Standard Life



Scottish
Financial
Enterprise

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Aims of this report

This report aims to bring together the key findings from the recent Vulnerable Customers Summit, outlining a series of commitments aimed at furthering industry collaboration to improve outcomes for vulnerable customers, targeting a shared set of principles and standards around vulnerability that can consolidate knowledge and drive best practice in Scotland's financial services industry.

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Foreword from SFE



It's been two years since the launch of Scotland's Financial Services Strategy, designed by the industry to drive our collective ambition to have a positive impact on society by coordinating focus on four sector wide priorities: supporting the economic recovery, leading the journey to net zero, developing skills and inclusion, and responding to changing customer needs.

While the four themes at the centre of our strategy remain as salient as ever, the external context has shifted – especially for our focus on changing customer needs. For many of our most vulnerable customers, the cost-of-living crisis has come at a time when they can least afford it, compounding the challenges built up during COVID-19. Living standards have seen their biggest fall since the 1950s. Financial resilience has weakened, and problem debt is rising. Increased food and energy costs have hit the financially vulnerable hardest, while interest rate rises have created new costs for mortgage owners and renters, causing many previously resilient customers to experience vulnerability, often for the first time in their lives.

Scotland's financial services (FS) industry is committed to helping vulnerable customers navigate these uncertain economic times and enabling them to find greater financial security and prosperity. The industry has made vital progress in recent years on key areas from customer support to use of data and technology, but we can and must do more. New regulation such as the Consumer Duty has a key role to play, and we will continue to engage proactively with the FCA and other stakeholders to guide our approach and support compliance within our industry. There are also areas where the industry in Scotland wants to proactively drive innovation and initiate collaborative action, independently from new regulation, because we want to have a positive impact and develop better customer experiences and greater financial inclusion.

Through Scotland's Financial Services Strategy we have a collective framework to help drive and track our progress, supported by our diverse membership from across the sector. Alongside initiatives such as our new Consumer Needs group, this piece of research is an important step in helping us to achieve our shared goal of creating better outcomes for vulnerable customers, while reinforcing that sense of collaboration which was so central to our strategy's development and delivery. I would like to thank Standard Life UK for their support in developing the research, and to all our members who have been involved in our work on this issue. I would like to thank Standard Life UK for their support in hosting the summit and their proactive role in leading thinking in this area, alongside all our members who are involved in our planned work.

Sandy Begbie CBE FRSE
Chief Executive, Scottish Financial Enterprise

Foreword from Standard Life



Consumer Duty is driving a fundamental cultural shift in the way that financial services firms behave and structure everything they do to be focused on delivering good customer outcomes. I have been very excited to see how firms are embracing this opportunity and really dedicating a lot of thought and time to considering how risks of harm can occur and what a 'good' outcome truly means for a customer.

This level of thought is even more important when we consider the needs of vulnerable customers. Our recent experiences of both covid-19 and the cost-of-living crisis have highlighted how important it is that across the sector we move to a very dynamic mindset, able to respond quickly and flexibly to evolving socio-economic issues.

Collaboration and knowledge sharing are key to developing consistent outcomes for our customers and Standard Life was delighted to have the opportunity to host the first SFE Vulnerable Customer summit to bring together such an excellent group of passionate, forward-thinking people who are working hard to understand and respond to the needs of vulnerable customers.

Jenny Holt

Managing Director, Customer Savings and Investments, Phoenix Group and SFE Life & Pensions Sector Group Chair

"A brilliant event enabling people from across the industry to join together in some very powerful customer first discussions and debates. I am really looking forward to seeing what our collective power might be if we can harness it well."

Sainsbury's Bank

Executive summary

Coming together to deliver for our customers.

At some point in our lives, most of us will be in a situation that could potentially make us financially vulnerable. In May 2023, SFE and Standard Life hosted the first Vulnerable Customer Summit, bringing together SFE members and industry experts to discuss what it really means to support customers in vulnerable circumstances and to consider how we can do this in a consistent and connected way.

Our firms are supportive of the FCA's Consumer Duty and their aims to change the way firms think and behave, and in most instances want to go further. To achieve the best possible outcomes for society, that work will be most effective if firms actively collaborate to share best practice and ensure positive experiences are consistent across the industry.

Customer needs are changing

The cost-of-living crisis continues to deepen the financial challenges customers are facing. In June 2023 the Money Advice Trust published their latest "Under Pressure"* report tracking the impact of the high cost of living on UK households which highlighted that 13.2m people (25% UK adults) say that they worry about money every day, and 11.6m people (22% of UK adults) report that they are behind on one or more household bill

Financial difficulty is just one aspect of vulnerability. For instance, the UK's ageing society is another area that financial services firms need to respond to. The 2021 Census showed that there are over 12 million people over age 65 in England, Scotland and Wales which is forecast to rise to 20 million by 2050. Ageing can drive a variety of changing financial needs; the changing balance of savings and income, a higher incidence of health issues; development of disabilities and impairments, possible digital exclusion creating barriers to accessing services; loneliness and social isolation. All of these require understanding, focus and support from financial service providers.

Do customers currently see financial services firms as a key source of support?

Research conducted by Standard Life in 2021* found that proactively sharing information about their circumstances with their financial service provider is not something they consider. Less than 30% of those surveyed had told their financial services provider about health conditions, and for life events this drops to less than one in five customers. Several reasons for this were given:

- **Customers can't see any immediate benefit - "its my issue to deal with"**
- **First and foremost, most will seek support from family and friends**
- **Strong emotional barriers exist (pride; shame; embarrassment)**
- **Customers are concerned about stigma and that they may be viewed or treated differently**

"I don't know, what can they do? I don't think there is anything they can do to help us"...

"If they can offer support about changes in your life why don't they tell us... It might make us contact them."

Executive summary

Encouraging sharing of information

It is clear that a key challenge for firms is to consider **what relationship they are creating**. Why should customers share information about their circumstances, or the support they need? How can they trust firms to take action; and also have confidence that disclosing the information won't, in some way, negatively impact them in the future.

Building customer confidence and trust so that they feel comfortable discussing the support that they need is one of the biggest priorities for the financial services sector and an area which requires a collaborative campaign and response.

It's the same customer - consistency is key

It is misguided to believe that there is a 'one size fits all' response or solution to vulnerability, and the nature of support needed may vary significantly depending on the type of products a customer has with a firm (e.g. bank current account vs pension etc). One customer is likely to hold products/accounts with several different providers, so developing a common language and consistency of support offered is key and it will be for the benefit of both customers and providers for the sector to stimulate and foster ongoing **open discussions of best practice and lessons learned**.

One attendee at the Summit challenged everyone to work together to create 'open banking for vulnerability'. How do we get to a place where customers not only want to tell us their support needs, but also only need to tell us once, and have confidence they will receive a consistent response from all providers?

" I was bowled over by the evident hunger across the sector to do the right thing for customers in addressing vulnerability. I'm keen to see how the discussions progress into action!"

Royal London

Where are firms today?

Ensuring focus is on customer support needs

Consumer Duty has amplified the focus on firms to understand the risk of harm for customers and this is particularly important when considering vulnerability. One challenge for firms is to ensure they do not limit this to only thinking about a superficial view of, or response to, customers circumstances. To get things right for our customers, we need to maintain laser focus on **what further risks, issues or support needs arise because of vulnerability**, what do customers need from us or what are they asking us to do for them?

Maturing understanding of vulnerability and response needed

Since publication of the FCA Vulnerable Customer Guidance (FG21/1) in 2021, firms have been building their understanding, developing support and solutions in relative silos. While there are invaluable resources such as the Money Advice Trust Vulnerability Academy and some great industry groups stimulating cross fertilisation of ideas, to date we have only seen small glimmers (such as the fledgling Support Hub) of how this can be translated into significant tangible industry collaboration on common issues.

The SFE Vulnerable Customer Summit was therefore focused on considering how SFE members can actively work together to deepen and accelerate a collaborative response to shared challenges.

What is currently top of mind for SFE members?

At the summit, there was consensus that across the sector there has been substantial progress in key areas:

- Training of frontline customer services is embedded and widespread
- Ability to identify vulnerability and capture information about support needs
- Processes in place in face to face and telephony channels providing reactive support

But further work to do to:

- Maximise data to enable move to proactive support
- Create effective & flexible support in digital channels
- Encourage disclosure
- Establish meaningful performance indicators (KPIs)



Creating consistency

Unlocking data

Data is a key enabler for firms delivering consistently good customer outcomes at scale, breaking the current deep reliance on face to face or telephony support. One key challenge is that human interventions are primarily reactive, i.e. dependent upon customers active engagement. Firms are exploring how they can maximise the opportunities of data in three key areas:

- **Personalisation of response - to better tailor customer engagement to individual customer needs**
- **Behavioural analysis – to identify key patterns of behaviour or activity that could indicate or predict potential vulnerability, to enable proactive contact or support interventions**
- **Data science – utilising cohort analysis to identify and build understanding of why some groups of customers may not be achieving desirable outcomes**

Digital delivery

The shift to digital delivery of services offers both opportunities and risks in the way firms support vulnerable customers.

Digital channels can:

- **Eliminate barriers to accessibility for disabled customers, enabling them to utilise assistive technology solutions tailored to their specific needs**
- **Be a more anonymous and comfortable environment for customers to ask for help**
- **Be a means for firms to provide self-help tools to support customers in improving financial habits or improving their financial literacy**
- **Provide access to support at scale 24/7**

On the other hand, firms need to work hard to ensure that:

- **Non digitally savvy or active customers do not become marginalised or excluded**
- **Digital journeys are flexible, so that customers can ask for help and support throughout the journey**

Building customer confidence in sharing information

To deliver consistent experience and outcomes for customers, firms must understand individual customer needs and while utilising data and technology is essential, the most important thing that firms must do is build customer confidence, overcoming any anxieties about sharing personal information.

This will only be achieved if customers:

- **Only have to tell firms once and don't have to keep repeating themselves**
- **Can see the benefits of sharing information**
- **Feel that when they ask for help, they receive the support they need**
- **Are aware of the types of support available**
- **Trust their provider and have confidence that the information won't in some way be "used against them"**

// The more customers are willing to share information, the better financial firms can understand their unique needs, preferences, and financial situations, enabling firms to offer personalised and tailored solutions best suited to their needs.

To create a compelling value exchange and foster trust, firms must prioritise transparency and clearly communicate the benefits of data sharing to their customers. They should emphasise data security and privacy measures and how the data will be used to improve the customer experience, offer customised recommendations, and streamline processes. To do this firms need to truly listen to their customers to understand what the value exchange is for them as this needs to be personalised for every customer.

By building confidence and trust in customers, financial service organisations can encourage more open disclosure of data, leading to mutually beneficial partnerships where customers receive superior outcomes and firms can provide better, more efficient services. //

Carole Layzell
Summit Data Panel Member



The role of partnerships with charities

Knowing when to signpost customers to specialist external support

There was consensus at the summit that one of the most important lessons firms have been learning is that there need to be clear boundaries in place for what is expected or appropriate. As the complexity of customer challenges and needs grow, knowing when and how best to signpost customers to external experts and charities is becoming increasingly important:

- Promotion of key self-help tools such as benefits calculators or register of sources of grants and support payments
- Signposting to specialist third sector support e.g. debt advice or specialist charities

How do firms ensure they don't overload charity partners

A key topic of discussion at the Summit was how firms ensure that they create equitable partnerships and relationships with the third sector. How do we ensure that we don't contribute to their services being overloaded, and that referral processes are supported effectively? Some well-established models have been in place across the sector for a long time with newer ones starting to emerge e.g.:

- Sector level funding for Citizens Advice Bureau
- 1-2-1 campaigns and partnerships e.g. Lloyds Bank and Macmillan
- Funding of agents for dedicated direct customer support – NatWest and Citizens Advice Bureau
- Funding of part of the charity's services where it is especially relevant to a firm's purpose and aims for its customers, e.g. funding of Guides Nationwide and Independent Age

Collaboration and an appetite for trialling new innovative partnerships is needed to create and ensure sustainable support is in place for customers.

// We really value working together in partnership with organisations in the financial services sector, to ensure customers get to our services at the right time and in the right way. However, like many charities, we are seeing a significant growth in the need for our services at the same time as it is increasingly challenging for us to maintain income levels sufficient to meet these demands.

As part of working in partnership we're keen to develop sustainable, services that not only deliver good outcomes for your customers, which we all have confidence are funded in a sustainable way. //

Vanessa Northam
StepChange

Case studies

Case study 1

Phoenix Group: Creating a Holistic Vulnerable Customer Training Programme

As a business, Phoenix Group's structure is complex, bringing together a family of brands and a strategic outsource partner as well as a legacy of other outsource providers from previous companies before we came together as Phoenix Group. We want to make sure all our customers receive a high standard, regardless of where they are serviced so extending our offering across our outsource partners was an important part of our approach.

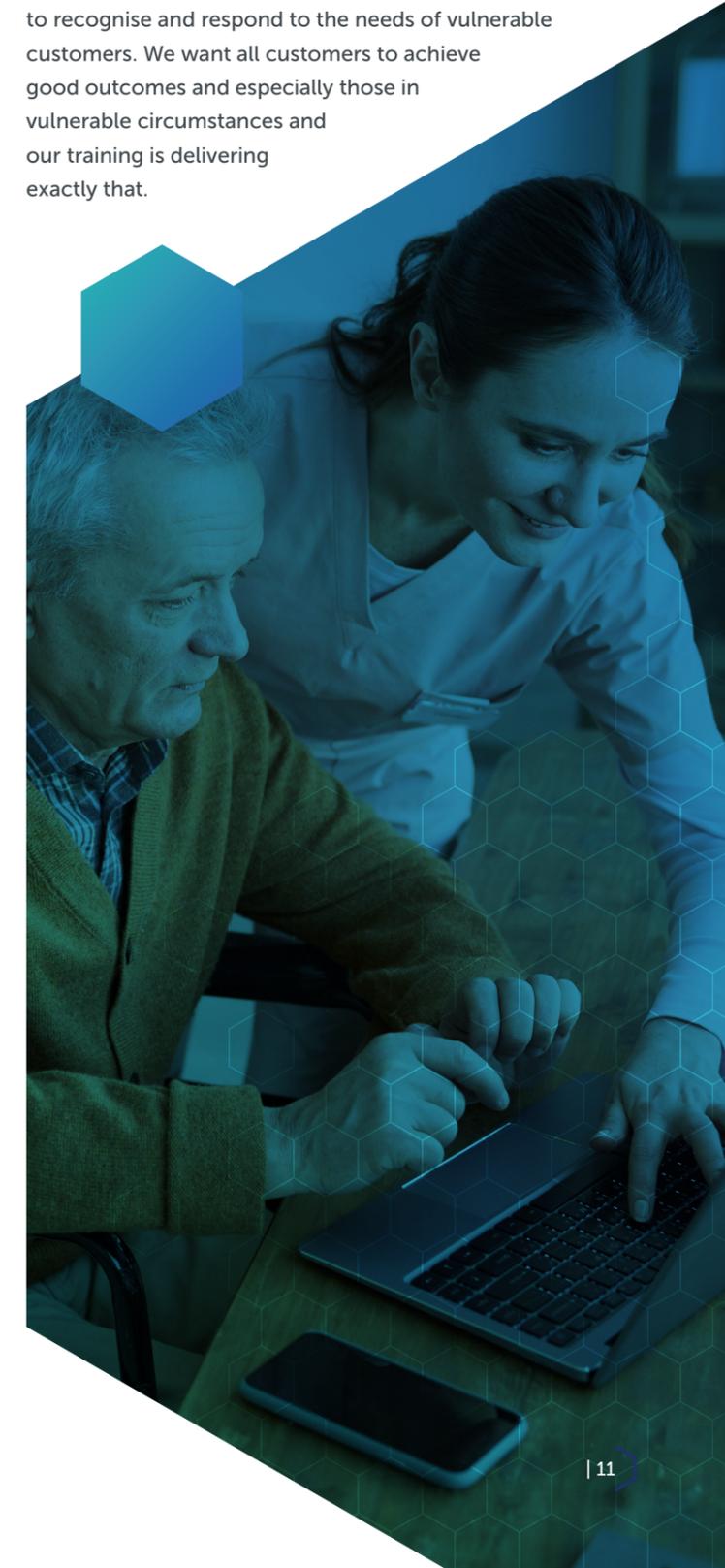
Our Vulnerable Customer Training package consists of 4 key components:

- Our award-winning Vulnerable Customer E-Learning
- A six hour in person workshop
- Our Listening Wheel E-Learning created with our charity partners, Samaritans
- Access to online guides through our Helping Hand Hub and The Vault; our knowledge hub where we have access to Conversation guides, Financial Hardship Guides; 'signposting', case studies and useful information to support good customer conversations

One size doesn't fit all

Colleagues are different ages, from varying socio-economic backgrounds, with different experiences. It is unlikely they will have experienced all different types of vulnerability and how it can affect interactions with organisations, which can result in an 'empathy gap'. We have been creative and innovative in how we address this so all colleagues, regardless of their role in our business understand the importance of vulnerability.

We now have a comprehensive package providing all colleagues with the knowledge, skills, and capability to recognise and respond to the needs of vulnerable customers. We want all customers to achieve good outcomes and especially those in vulnerable circumstances and our training is delivering exactly that.



Case study 2

TSB: doing what matters for victim-survivors of domestic abuse

Domestic abuse is pervasive in UK society, experienced by 1 in 4 women and 1 in 6 men during their lifetime. Economic abuse is involved in 95% of domestic abuse cases – leaving victims with coerced debt and low financial knowledge and confidence.

The cost-of-living crisis is costing lives. Research from Women's Aid in August 2022 showed that almost three quarters (73%) of women living with and having financial links with the abuser said that the cost-of-living crisis had either prevented them from leaving or made it harder for them to leave.

Through conversations with experts and charities such as Surviving Economic Abuse, Hestia, Women's Aid, and Domestic Abuse Commissioner Nicole Jacobs, it became rapidly clear to us at TSB there was much more we could be doing.

That's why, in December 2022, we established an Emergency Flee Fund to help victim-survivors – regardless of gender, ethnicity, ability or sexuality - with the cost of essentials like food, travel, clothing. The fund complements the range of tailored support already offered to victim-survivors, including opening safe bank accounts, removing abuser from joint accounts, and writing off debt.

The power of the fund is its simplicity. TSB customers, and colleagues, can access the fund through any TSB branch. The fund was designed with input from Hestia and Surviving Economic Abuse and complemented by trained TSB Bank colleagues to work out what they need, connected to domestic abuse services through the Safe Space scheme, and gifted flee money into their safe account immediately. So far, the flee fund has helped to save 71 lives - paying out an average of £348 - and works alongside a wider suite of support tools for impacted customers.



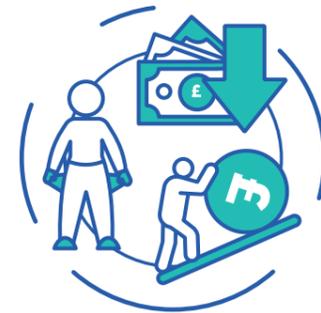
Overwhelmingly the fund has proved to be a success with customers, colleagues, and stakeholders. Insight from the scheme has been used to build support for, and to inform, the UK Government's national flee fund pilot with Women's Aid (March 2023) – providing more than £300k to victims. It has also led to a national financial inclusion partnership between TSB and Women's Aid to enable victim-survivors to safely open and access a bank account without standard documentation and use the fund.

There are three things I have learned from this:

1. **Listen to, and share, the voices of those with 'lived-experience' to compel your organisation to innovate**
2. **Be courageous – it's better to try and fail than not try at all. We had no idea what demand we'd face, or if the fund would be abused, so we took a leap of faith.**
3. **Positive action is contagious and encourages others to play their part too.**



43% of adults in Scotland could not cover living expenses for three months if they lost their income.*



1.6 million, or 34% of adults in Scotland say they are not financially coping and 8% say they are already in financial difficulty.*



7% of Scottish adults pay everything, or almost everything with cash.*

*FCA FINANCIAL LIVES SURVEY JANUARY 2023

Opportunities to collaborate

A key focus by attendees at the Summit was to discuss and consider ideas for how best SFE members can work together and through breakout sessions, high priority areas were identified to explore further:

A key question emerged as to whether we can create a shared commitment / customer charter?

- What would that look like?
- What would that need to cover to be meaningful?
- What ongoing ask would it create of firms?

Turning Summit discussions into action

To drive forward change we have launched the SFE Consumer Needs Group. The group will be chaired by Jackie Leiper, board sponsor for SFE's changing customer needs work, which aims to deliver to the wider Scottish financial and professional services strategy.

The Consumer Needs Group will be made up of senior leaders from across our membership that have responsibility for the customer in their organisation. The group will collaborate, share best practice, and identify areas we think we could do better in if we worked at industry level and how best to use fintech to support this. This group will have a continued focus on Vulnerable Customers, customer outcomes and how we improve financial inclusion across Scotland.

- Engage with industry thought leaders and regulators
- Explore and discuss emerging focus on concepts such as intersectionality i.e. the understanding of how multiple or various forms of vulnerability or inequality (e.g. gender / ethnicity) can exacerbate issues or barriers for customers.



Establish shared **key performance indicators (KPIs)** to monitor and identify areas for improvement, enable industry-wide reporting



Establish a **sector-wide charter for vulnerable customers** and establish expert-led best practices



Collaborate and share **non-competitive information** to create better solutions and support for customers



Have **customers' needs embedded in every touchpoint and channel** of their experiences so they only have to explain them once



Measurement and monitoring of **industry-level handoffs to charities or specialist support channels** - noting patterns, and ensuring appropriate funding in place



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