

Doing the right thing for vulnerable customers



There is little doubt that the number of UK adults who could be identified as vulnerable customers will rise due to the COVID-19 Pandemic. Financial services firms must look closely at how they are managing vulnerable customers to ensure that they have the right processes in place and that their people have the right skills to perform effectively.

The COVID-19 Pandemic has already seriously impacted the UK economy. As cases rise and further lockdowns are implemented, there's little doubt that we have a long way to go to recovery.

The Government has already done a great deal to off-set the financial impact of COVID-19, with business and job support packages and lending holidays. However, the levels of help we have seen are unsustainable and may only serve to delay financial difficulty. Government borrowing will become prohibitive and ultimately businesses will have to be allowed to adapt and recover on their own. As support schemes and payment breaks come to end, more jobs will be lost and more of us will fall deeper into arrears.

In 2017, the Financial Lives Survey reported 25.6m (50%) of UK adults were already vulnerable. With the pandemic making such a heavy blow to well-being and finances, vulnerability is almost certain to become an even bigger problem.

Almost a year ago the Regulator published new requirements to strengthen operational resilience in the financial services sector. Part of this was that firms would be expected to quantify the disruption they could withstand. While the level of disruption caused by COVID-19 is beyond what may have been reasonably prepared for, it does serve as a test of how firms can respond. Firms treatment of customers over the forthcoming period of difficulty will inevitably inform the Regulator's view of their culture, values and purpose.

As well as a strong regulatory imperative for firms to act there is also the opportunity to gain commercial advantage. By doing the right thing for customers firms can build reputation and loyalty. In a statement earlier in the year, The Chancellor encouraged us all to think of others and act with decency. Firms who embrace these sentiments and succeed in embedding 'doing the right thing' for customers, particularly those who are vulnerable, will lead a new standard and exceed the expectations that existed before the pandemic. As well as a boost to public reputation and customer loyalty future regulatory intervention becomes less of a risk.

Both regulatory imperative and the inherent complexity of customer vulnerability call for robust frameworks. Vulnerability is a condition that is variable, transient, and not easily detected. There is also the added pressure of getting things right in the high-pressure operational environments that exist in financial services firms.

There are two critical factors in managing vulnerability:

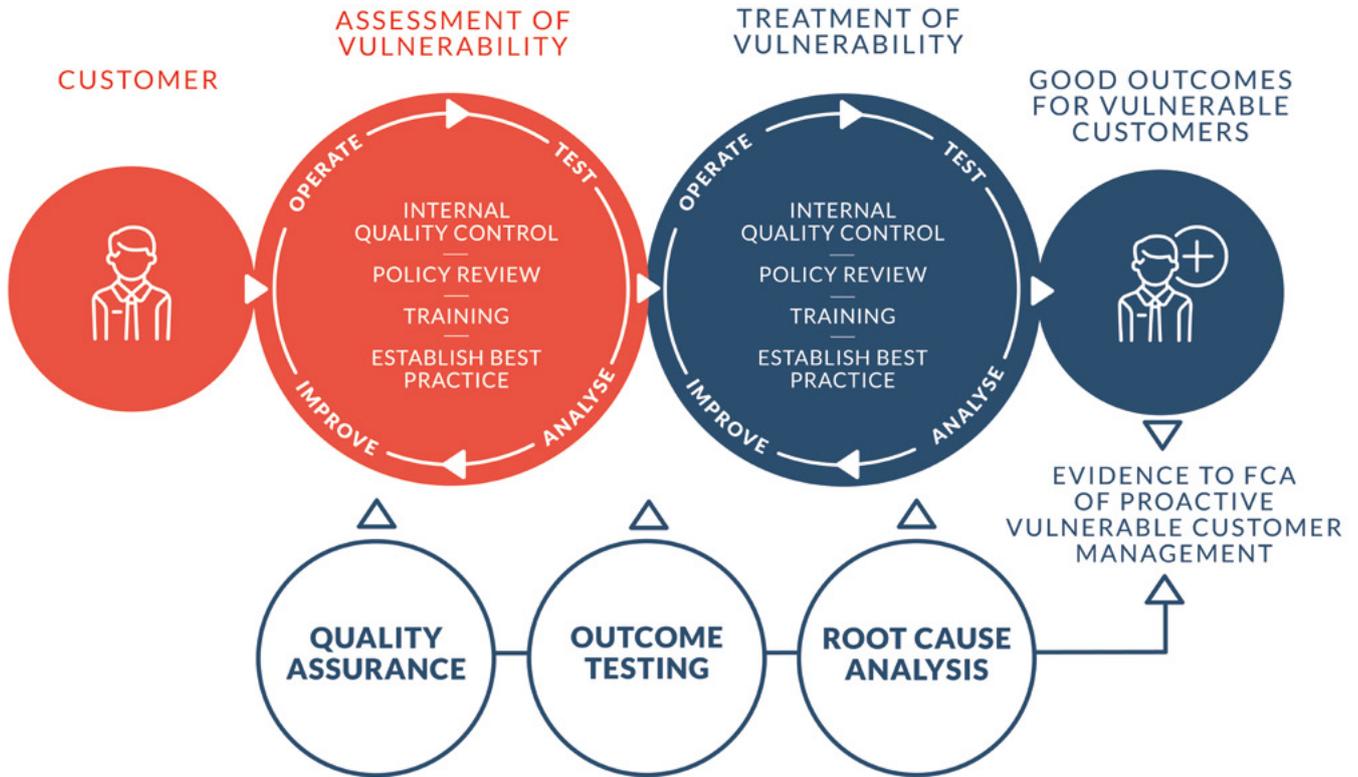
1. Are we effective in detecting a customer who is vulnerable and measuring their vulnerability?
2. Are we appropriately treating vulnerable customers in respect of their vulnerability and in a way that results in a good outcome?

At this stage there are no precedents and best practice has yet to emerge. For vulnerable customer management to be effective, firms need to be carefully monitoring processes, testing, and learning as they go. Quality assurance, outcome testing and root cause analysis are essential to keep things on track, providing invaluable feedback and evidence.

NEXT PAGE

**A Model for Effective
Vulnerable Customer Management**

A Model for Effective Vulnerable Customer Management



As well as processes, people are a critical component to getting vulnerable customer management right. Discrete ‘human’ judgements are called for that balance compassion with rigour. Agents handling customers must become sensitive to their emotional needs, often more fragile when vulnerable, while also making objective assessments of their situation. Not all staff will naturally have the aptitude to deal effectively with vulnerable customers. Thorough training programmes need to be designed and delivered and on-going feedback put in place, all to develop, embed and enhance the right skills.

Even with the right training and processes, some forms of vulnerability may go undetected. At times, the most competent staff will have difficulty in spotting things. There is also a potential problem of customers falsifying information to gain preferential treatment. Many firms are reporting a growing incidence of fraudulent claims of this type. The only real way to discover if these things are happening is through case review and outcome testing. This reveals trends and anomalies that will help to calibrate the criteria against which vulnerability is assessed.

Many operational managers would admit they are not doing enough checking, monitoring, and testing. While quality assurance and outcome testing are recognised as key to improving vulnerable customer management, doing so adds cost. However, given the importance, firms should be investing in getting vulnerable customer management right.

RFS is expert in all aspects of vulnerable customer management. From the design of robust frameworks, the design and delivery of training, the provision of skilled case handlers through to on-going assurance. We can ensure you have the right people, the right processes and the right performance to be effective in managing vulnerable customers.