



Vulnerable Customer Best Practice Guide

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1.1 About TISA

The Investing and Saving Alliance (TISA) is a unique, rapidly growing membership organisation for UK financial services.

Our ambition is to improve the financial wellbeing of all UK consumers. We do this by focusing the convening the power of our broad industry membership base around the key issues to deliver practical solutions and devise innovative, evidence-based strategic proposals for government, policy makers and regulators that address major consumer issues.

TISA membership is representative of **all sectors of the financial services industry**. We have **over 200-member firms involved in the supply and distribution of savings, investment products and associated services**, including the UK's major investment managers, retail banks, online platforms, insurance companies, pension providers, distributors, building societies, wealth managers, third party administrators, Fintech businesses, financial consultants, financial advisers, industry infrastructure providers and stockbrokers.

As consumers, the financial services industry and the economy react to and recover from the effects of the pandemic, the importance of the three key pillars of work that TISA prioritises has never been more apparent:

- **Strategic policy initiatives that influence policymakers** regarding the financial wellbeing of UK consumers & thereby enhancing the environment within which the industry operates in the key areas of **consumer guidance, retirement planning, later lifetime lending, vulnerable customers, financial education, savings and investments**.
- **TISA is recognised for the expert technical support** provided to members on a range of operational and regulatory issues targeted at improving infrastructure and processes, establishing standards of good practice and the interpretation and implementation of new rules and regulations covering **financial crime prevention, CASS, ESG/RSI, operational resilience, data, governance, conduct and culture** and a range of other areas.
- **Digital transformation initiatives** that are driving ground-breaking innovation and the development of industry infrastructure for greater operational effectiveness and revenue promoting opportunity for firms. TISA has become a major industry delivery organisation for consumer focused, digital industry infrastructure initiatives – **TISAtech** (a digital marketplace that brings together financial institutions and FinTechs for greater collaboration and innovation) and **TURN** (TISA Universal Reporting Network – a digital platform providing a secure data exchange for financial services using blockchain technology) – alongside projects **Digital ID** and **Open Savings, Investment & Pensions**. This reflects TISA's commitment to open standards and independent governance.



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1. Introduction

The FCA expect that vulnerable customers experience outcomes as good as those for other customers and receive consistently fair treatment and that fair treatment of vulnerable customers is embedded as part of a healthy culture throughout firms, not just on the frontline but also in areas such as product development. As a result, the FCA have issued Guidance for firms on the fair treatment of vulnerable customers (FC 21/1 'the Guidance'). It is very important to note that this guidance does not replace existing FCA rules in respect of dealing with customers in difficulty, nor does it usurp other statutory requirements, for example under GDPR or the Equality Act 2010. Firms must find a way of navigating a course through all of these provisions and then this guidance.

Covid-19 has undoubtedly exacerbated incidences of vulnerability in the UK. The FCA's Financial Lives coronavirus survey, which was carried out in October 2020, shows that more customers find themselves in vulnerable circumstances as a result of the pandemic. 53% of adults now display a characteristic of vulnerability which is an increase of over 3 million since February 2020. It is also worth bearing in mind that many of these individuals could have multiple characteristics of vulnerability. The effects of the pandemic have been wide-reaching, impacting not only on people's physical and mental wellbeing, but also on their finances, due to furlough, unemployment etc.

Situations that lead to customer vulnerability can be complex and can change over time. Understanding the characteristics of vulnerability, ensuring staff, products and services meet these needs can be challenging for firms and the purpose of this Best Practice Guide (BPG) is to supplement the FCA Guidance and assist member firms of TISA with ascertaining and identifying different types of vulnerability, recording vulnerabilities, and responding to the needs of vulnerable customers. The guide also seeks to assist firms in implementing appropriate measures of the effectiveness of their processes, and methods by which to evidence the operation of their vulnerable customer framework.

Failing to consider the needs of vulnerable customers, can lead to harm such as higher risk of poor market outcomes, inability to choose or access suitable products and increased susceptibility to harm from certain market practices.

For the purposes of this BPG, a customer will be the end investor who may be experiencing circumstances that make them vulnerable, whether they are a prospective, current or past customer of the firm.

This best practice guide is designed for: Financial Services firms, primarily fund managers, wealth managers, platforms and advisors.

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2. Ascertaining & recording vulnerability needs

2.1 Introduction

The FCA have set out in Guidance four drivers of vulnerability and associated characteristics of each one of these drivers:

Health	Life Events	Resilience	Capability
Physical disability	Retirement	Inadequate (outgoings exceed income) or erratic income	Low knowledge or confidence in managing finances
Severe or long-term illness	Bereavement	Over- indebtedness	Poor literacy or numeracy skills
Hearing or visual impairment	Income Shock	Low savings	Poor English language skills
Mental health condition or disability	Relationship Breakdown	Low emotional resilience	Poor or non-existent digital skills
Addiction	Domestic abuse (including economic control)		Learning difficulties
Low mental capacity or cognitive disability	Caring responsibilities		No or low access to help or support
	Other circumstances that affect people's experience of financial services e.g., leaving care, migration or seeking asylum, human trafficking or modern slavery, convictions		

Firms should demonstrate an understanding of characteristics of vulnerability, and how prevalent these may be in their target market and customer base, as well as the impact of vulnerability on the needs of customers. Although all customers are at risk of becoming vulnerable, this risk is increased by characteristics of vulnerability, related to the 4 key drivers – health, life events, resilience, and capability.

Vulnerability can come in a range of guises, and can be temporary, sporadic or permanent in nature. It is a fluid state that needs a flexible, tailored response from firms. Many people in vulnerable situations would not diagnose themselves as 'vulnerable'.

It is likely that we will all be classified as vulnerable at some time in our lives. Vulnerability can be triggered by various different events and fall into different categories, such as: a learning vulnerability, stress / anxiety, recent bereavement or even a recent windfall, to name but some.



2.2 Key challenges that firms need to overcome

Challenges remain in identifying which customers should be classed as ‘vulnerable’ and how to treat all of them equitably, whilst meeting specific needs. The needs of vulnerable customers may be complex and sit across a wide spectrum. Some vulnerabilities may be easy to identify or declared by the customer, and other vulnerabilities may be harder to detect, and it may require considerable skill and diligence on the part of staff dealing with customer to detect drivers of vulnerability and associated characteristics of each one of these drivers.

Not all customers with characteristics of vulnerability will be vulnerable, but they may be more likely to have additional or different needs which, if not met, could limit their ability to make decisions or to represent their own interests.

2.3 Regulatory requirements

The FCA Principles require firms to treat customers fairly and the Guidance makes clear what the standards set by the Principles mean for firms. It sets out what firms should do to meet those standards. While firms are not bound to adopt or follow any of the specific actions described in the Guidance, they must meet the standards set by the Principles and treat customers fairly:

- Understand the nature and scale of characteristics of vulnerability that exist in their target market and customer base.
- Understand the impact of vulnerability on the needs of consumers in their target market and customer base, by asking what types of harm or disadvantage customers may be vulnerable to, and how this might affect the consumer experience and outcomes.

2.4 Recommendations for firms

- A high-level policy in place on customer vulnerability should be in place to provide a framework for a consistent approach that is embedded across all operations and ensuring that all relevant staff are aware of the policy.
- Firms should think about vulnerability as a spectrum of risk. Multi-layered vulnerability, and sudden changes in circumstances, are particular indicators of high risk.
- Once the risk factors are understood, firms should consider to what extent they apply to the business model, target market and existing customer base. For example:
 - Is the target market more susceptible to certain types of vulnerability?
 - Is the demographic of the customer base linked to increased likelihood of vulnerability?
 - Is there a high concentration of clients in ethnically diverse areas where English may not be the first language?

Firms should consider providing focused training to staff in areas of vulnerability that the client base could be exposed to.

- In building a robust framework, firms should ensure flexibility when identifying and recording vulnerabilities or characteristics of vulnerability, as strict categorisation can be too rigid. Firms should be aware that the specific impact of the circumstance upon the individual and how they manage it will determine the level of vulnerability rather than the presence of a characteristic. Once the actual impact of the identified vulnerability/circumstance is understood correct support can be identified. In addition to the four drivers set out by the FCA, starting points for firms to consider when assessing vulnerability may be:
 - Does the customer have any barrier to access- e.g., hearing, sight, language, lack of digital skills?
 - Does the customer have any comprehension issues- e.g., mental capacity, low understanding of finance, dementia?
 - Does the customer's circumstance increase risk of vulnerability- e.g., bereavement, divorce, redundancy, illness, ex-offenders, care-home leavers, returning armed forces, recent immigrants?
 - Does the customer have personal characteristics such as being very young or older, that may be a driver of vulnerability?
 - Does the customer indicate certain behaviours such as being credulous, impulsive or risk averse that may mean they are more likely than others to be vulnerable in certain dimensions?
- A firm should ensure that its processes are designed so that identified vulnerabilities, their characteristics and impact are recorded in line with data protection and privacy rights (see section X), so that a customer does not have to repeat themselves each time they make contact. Technology should be appropriately used to support these processes



3 Training of back-office staff to support needs of vulnerable customers

3.1 Introduction

As referred to in the previous section, some vulnerabilities and their impact may be easy to identify or declared by the customer, and other vulnerabilities may be harder to detect, and it may require considerable skill and diligence on the part of staff dealing with customer to detect drivers of vulnerability and associated characteristics of each one of these drivers.

As well as detecting the characteristic or circumstances that create vulnerability, treating customers not only fairly but with empathy and sensitivity to their circumstances is a growing priority for the regulator.

3.2 Key challenges that firms need to overcome

Recruiting and training staff for listening skills, emotional intelligence and empathy, and turning these skills into appropriate process, with measurable and evidential outcomes remains a challenge for firms. Added to this the situations that lead to customer vulnerability can be complex and can change over time, requiring flexibility and diligence in the approach to dealing with customer vulnerability.

3.3 Regulatory requirements

The FCA Principles require firms to treat customers fairly and the Guidance makes clear what the standards set by the Principles mean for firms. It sets out what firms should do to meet those standards. While firms are not bound to adopt or follow any of the specific actions described in the Guidance, they must meet the standards set by the Principles and treat customers fairly. **At a high level firms should:**

- Embed the fair treatment of vulnerable consumers across the workforce. All relevant staff should understand how their role affects the fair treatment of vulnerable consumers.
- Ensure frontline staff have the necessary skills and capability to recognise and respond to a range of characteristics of vulnerability.
- Offer practical and emotional support to frontline staff dealing with vulnerable consumers.

3.4 Recommendations for firms

A firm should build a workforce that embeds the fair treatment of vulnerable customers throughout its operation, and ensure its frontline, customer facing staff have the time to listen, and are sufficiently trained to spot and respond to vulnerability.

- Firms should ensure that listening skills, emotional intelligence and empathy are considerations in assessing candidates during the recruitment process.
- Firms should train their staff to be aware of potential characteristics, behaviours or verbal cues of someone who might be vulnerable. Training should also include information about the challenges vulnerable customers face and how to help them effectively.
- Provision of bespoke training so staff feel comfortable handling a range of situations e.g. role playing emotionally difficult situations. Update training as customer needs change – for example,

to ensure staff understand the burden that the impact of COVID-19 is placing on many consumers' mental health.

- An environment should be created where staff are given the time to be empathetic, rather than focusing on call-time targets, and in doing so may enable difficult conversations by:
 - being able to have enough time to listen and respond to what the client is saying
 - being flexible to allow the customer to drive the conversation and take its natural course
 - staff being given the skills to be able to pick up on warning signs and ask the right questions.
- A firm should implement procedures and guidelines to assist staff on an on-going basis in identifying and responding to responding to customers in vulnerable circumstances. Points within these procedures firms might want to consider including are:
 - Staff should ask customers at the earliest opportunity if there is specific accessibility or customer service need that they can help with;
 - If already aware that the customer is vulnerable or likely to be distressed, it can help for them to know what to expect on the call. Tell them how long the call will take, what information you need from the person and why;
 - Telling customers what will happen if they share information about a vulnerability, and what additional support they are likely to receive as a result;
 - Where a vulnerability is identified, clearly explain how customers can sign up for both internal and external help, support or services at any time;
 - Summarise critical points and reiterate any decisions or any actions that result from the contact with the customer;
 - In some circumstances, offering follow-up information in writing will be useful for many people, especially vulnerable people;
 - If the person sounds distressed or agitated at any point, acknowledge their feelings and reassure them that you will try to help them find a solution, or additional help;
 - For queries where consent is required for a financial transaction, the customer must understand their decision. If the customer is distressed or flustered, ask if there is a suitable time to continue the call when they feel better.
- The policies and procedure should be clearly communicated to all staff, and a training programme developed to embed the policies and procedures. Where appropriate, performance should be evaluated against policy key success indicators.
- A firm might consider appointing a vulnerable customer 'champion' at a senior level to ensure a firm's culture is understood and acted upon by all staff, and within teams that have experience and are comfortable guiding others.
- There are some practical tools available to assist staff in recognising and dealing with vulnerabilities that firms might consider making use of:
- The Royal College of Psychiatrists and the Money Advice Trust have designed three drills to act as a guide to working with vulnerable clients, which firms might consider making use if within their staff training, processes and procedures:



- **TEXAS-** can be used as a training tool to assist with initial disclosure
 - Thank them (what they have told you could be useful for everyone involved)
 - Explain how their information will be used
 - eXplicit consent
 - Ask three key questions (these will help understand the situation better)
 - Signpost to internal or external help (where this is appropriate)
- **IDEA-** can be used to assist more specialist staff in managing in depth conversations
 - Impact-Staff should ask what the vulnerability stops or makes it hard for the customer to do in relation to their financial situation.
 - Duration-Staff should discuss how long the customer has been living with the reported vulnerability, as the duration of different conditions will vary.
 - Episodes-Some people will experience more than one episode of vulnerability in their lives. Firms will need to take such fluctuating conditions into account in their decision-making.
 - Assistance-Firms should consider whether the customer has been able to get any care, help, support or treatment for their circumstance.
- **CARERS-** can be used help manage disclosures from carers to ensure information is not lost due to concerns about data protection.
 - Check for authority: – if the carer can supply evidence of their authority to act on the customer’s behalf
 - Avoid discussing any account details, making sure to explain to the carer why this isn’t possible.
 - Reassure the carer that their concerns can still, however, be recorded as observations (unverified) on the customer’s account, and these can be looked into.
 - Explain to the carer that their observations will need to be shared with the customer, colleagues, and potentially the vulnerable customer. Carers will need to give their consent for this.
 - Record the carer’s observations
 - Summarise the available next steps

<https://www.rcpsych.ac.uk>



4 Assessing systems and processes for the needs of vulnerable customers

4.1 Introduction

To take practical action and implement robust systems and processes in dealing with vulnerable customers, a firm should first define their understanding as to what a vulnerable customer means to their business. A firm should have in place written policies to reflect their approach to working with vulnerable clients, including consideration of the product offering, and what they consider to be good practice in communicating with vulnerable customers, as well as more detailed procedures and guidance for staff.

Firms who are in scope of this guidance should carry out a risk assessment for vulnerable consumers and this should be included on the firms Risk Register with a rating attributed to this risk, alongside details of the controls and processes that will be put in place to mitigate this risk.

4.2 Key challenges that firms need to overcome

It can be challenging to operationalise the spectrum of risk concept to ensure those at a greater risk of harm are treated fairly. Identifying and managing the experience for a wide range of customer needs, especially when not directly disclosed, requires extensive thought and resource to ensure that vulnerability is considered in designing systems and processes that cater for vulnerable customers.

Firms should be mindful of the challenges that a remote working environment creates for maintaining a healthy culture and effective processes. They should also consider whether staff are being given the support and training required in dealing with vulnerabilities.

4.3 Regulatory requirements

The FCA Principles require firms to treat customers fairly and the Guidance makes clear what the standards set by the Principles mean for firms. It sets out what firms should do to meet those standards. While firms are not bound to adopt or follow any of the specific actions described in the Guidance, they must meet the standards set by the Principles and treat customers fairly. At a high-level firms should consider:

- Product and service design
- Customer service
- Communications

4.4 Recommendations for firms

4.4.1 Assessing systems and processes for the needs of vulnerable customers

Systems and processes should be set up in a way that supports and enables vulnerable customers to disclose their needs, and it's important that staff are able to spot signs of vulnerability – such as, but not limited to, changes to transaction behaviour, agitation or requests for information to be repeated.

Customer service processes should be delivered in a way that is flexible, depending on the customer's individual needs, and customers should also be made aware of the support available to them, including signposting to relevant third parties and specialist support services.

Some practical ideas for ensuring a customer service that support vulnerable customers could include:

- A system that enables staff to note and retrieve information about a customer's needs;
- Communications that are clear and easy to understand for vulnerable customers;
- Pre- and Post-contractual information should be provided to vulnerable customers in a way that they can access and understand;
- Any changes to the terms or features of a product should be communicated in a way that vulnerable customers can access and understand;
- Firms should proactively check that vulnerable customers understand communications at the point of sale;
- Flexible processes should be in place to allow the firm to respond to temporary vulnerability;
- Use alternative ways of giving information (e.g., rephrasing or using a written summary if an oral explanation has been given);
- Repeating key information, or simplifying information;
- Use simple language and break down explanations into easy-to-understand chunks – check customer understanding then move on to the next feature;
- Summarising and simplifying information where possible (but continuing to provide any regulatory or legal detail that is required);
- Asking the customer to summarise what they have been told (to identify what they might not have understood or retained);
- Allowing more time for the customer to communicate;
- Ask if a relative, friend or other reliable source is able to support it they are struggling to understand; and
- Ensuring staff do not make decisions for the customer.

4.4.2 Catering for vulnerable customers in an online journey

All communications and information about products and services need to be understandable for customers including online. Firms should consider how they communicate with vulnerable consumers and whether they communicate in a way that meets their customers' needs.

Offering multiple channels of communication, where possible, is important. For instance, a sight and hearing impairment can make some communication channels unusable, so accessibility needs to be considered.

Some practical ideas for ensuring that communication meet the needs of vulnerable customers could include:

- A range of communication channels and tailored communications being made available to customers (for example, telephone, email, text, written, web-chat, and video calls);

- Ensure digital customer journeys include ways of recognising and responding to vulnerability e.g., a text function allowing customers to notify firms easily and quickly of a change in circumstances;
- If offering self-service options, such as through apps, automated phone line or online channels, flexibility should be built into the system to allow customers to pause or exit the process and get more time or receive a more personalised service;
- Making chatbots available throughout an online customer journey to facilitate the disclosure of any needs, aiding identification. Targeted online questions, FAQs and open text boxes can also help encourage customers to volunteer relevant additional information.
- Using tools that build a tailored online environment based on a customer's interaction with web pages e.g., flagging a human adviser is available for customers displaying apprehension or confusion.

4.4.3 Ensuring your website caters for the needs of vulnerable customers

Communication quality is a vital factor in exacerbating or reducing the impact of a vulnerability in the context of the service being offered. Customers need to be able to fully understand what is being asked of them and what the consequences of their decision will be.

When using a website to communicate with customers, considerations should be made to ensure that the design of the website meets the needs to vulnerable customers and that the digital customer journeys include ways of recognising and responding to vulnerability.

Design and usability can both increase and mitigate vulnerability, largely by making it more difficult, or easier for a customer to access, understand and act. Every design element can increase or decrease risks of harm associated with vulnerability: including images, fonts, colour, simplicity and consistency.

Firms should consider:

- The design of all interactions from the customer's point of view, considering all likely vulnerabilities and needs;
- Provision of clear information and user journeys, realistic representations of the product or service and obvious ways for the customer to interact with the sales journey in the way that best suits them, such as an easy-to-see helpline number;
- Ensuring product pricing, contact details and other details are clear and easy to find;
- Presenting important information, such as key terms and conditions of a service, product or privacy policy, very clearly using readable fonts, legible design and simple navigation;
- Inviting customer feedback from different customer groups to ensure your design meets their needs; and
- Proactively building alliances with organisations and charities who can help better understand and service particular needs within the customer base.

5 Ensuring products are suitable for vulnerable customers

5.1 Introduction

Firms should review their Product Oversight and Governance Procedures, in light of the FCA guidance and consider the positive or negative impacts of a product or service on vulnerable customers. Vulnerable customers should be considered at all stages of the product and service design process including idea generation, development, testing, launch and review.

5.2 Key challenges firms need to overcome

Situations that lead to customer vulnerability can be complex and can change over time. Understanding the characteristics of vulnerability, ensuring staff, products and services meet these needs can be challenging for firms.

5.3 Regulatory requirements

The FCA Principles require firms to treat customers fairly and the Guidance makes clear what the standards set by the Principles mean for firms. It sets out what firms should do to meet those standards. While firms are not bound to adopt or follow any of the specific actions described in the Guidance, they must meet the standards set by the Principles and treat customers fairly. At a high-level firms should consider:

- Consider the potential positive and negative impacts of a product or service on vulnerable consumers. Design products and services to avoid potential harmful impacts.
- Take vulnerable consumers into account at all stages of the product and service design process, including idea generation, development, testing, launch and review, to make sure products and services meet their needs.

5.4 Recommendations for firms

The correct approach to a customer's needs heavily depends on the particular product, medium and the impact of the vulnerability on the customer, for example, someone with impaired hearing is more likely to be vulnerable when using aural media but this particular vulnerability will not affect their ability to engage with visual media, whilst another customer with a well-managed hearing impairment may be happy to use aural media. Individual organisations and marketers need to make sound judgements about their own products and services as a core part of their responsibilities and must ensure they have the understanding and empathy to do so.

Some practical ideas for implementation could include:

- Assessing appropriateness of distribution channels against vulnerable customer needs and the target market, especially with regards to accessibility;
- Considering whether features of products or services inadvertently exploit customers in vulnerable circumstances;
- Building features into products or services that meet the needs of vulnerable consumers;
- Considering whether the information needs of vulnerable customers are being met so that customers understand the purpose and risks of a product;

- Analysing internal data which may include customer transactions, recorded vulnerabilities and needs, product utilisation and complaints for behavioural indicators of vulnerability;
- Working with third party organisations to gain insights into the experiences of customers – for example, how it feels to live with certain conditions or circumstances;
- Testing the extent to which a product or service supports the customer and reduces the negative impacts any identified circumstance may have on vulnerable customers, and adapting it based on this testing (this could be done in conjunction with charitable organisations);
- Including features in service design that help to prevent harm among vulnerable customers and that potentially benefit all customers – for example, encouraging customers to provide a designated second contact at the start of the customer journey.

6 Catering for vulnerable customers in the financial advice process

6.1 Introduction

Being in a vulnerable situation can lead to individuals making sub-optimal financial decisions. It is therefore imperative that financial advisers understand:

- how to identify circumstances that may lead to a vulnerability and whether their customer is potentially vulnerable
- the required empathy and skill to ascertain the needs of vulnerable customers
- what factors need to be considered when advising vulnerable customers
- the implications for the advice process
- how to ensure that incentive structures are appropriate

Vulnerability comes in a number of different forms, as referenced in section 2 of this document, and it is important that advisers understand what these may be and how to identify them. Whatever the cause of the vulnerability, its existence may limit the customer's ability to open up to the adviser and take appropriate courses of action.

Once a customer has been identified as having a vulnerability, advisers need to be able communicate effectively with the customer to make them comfortable with the advice process, gain their trust and deliver better outcomes. Where appropriate, and consent is obtained, communication should include acknowledgement of the vulnerability and how the advisor will support the customer to minimise the impact of the characteristic or circumstances.

Advisers need to be able to draw information from the customer about their situation, their objectives and what their tolerance / preferences are towards different types of risk are.

Different vulnerabilities will have different impacts on customer needs and preferences and advisers need to consider whether there are any different factors which need to be accounted for when providing advice.

The factors could impact the customer's needs and / or the way the firm needs to communicate with the customer.



6.2 Key challenges firms need to overcome

It is unlikely that a customer is going to instantly open up to an adviser and tell them all the things that they are dealing with in their personal lives when they meet an adviser for the first time. Additionally, a customer may not even realise that they are in a vulnerable position.

Being able to empathise with a customer does not always come naturally. Some advisers will need to develop this skill over time and it can sometimes be uncomfortable. Understanding their different needs is essential in ensuring that information is delivered in a way which is understandable and engaging.

Financial advice can involve providing a lot of complicated information. A customer's specific vulnerability may mean that their ability to understand and take in this information is impaired. This impairment could be for the short term, or more permanent.

Either way, the firm is going to need to overcome the challenge of making their process and recommendations easy to understand and engage with for a wide variety of customers.

When considering the customer's needs, any identified vulnerability needs to be considered including whether this affects the appropriateness of the initial proposed product or solution. E.g., a customer may have a long-term savings goal, however, if they are displaying signs of anxiety, an investment solution may not be suitable, despite being the product which will most likely meet their target.

Recommendations should be specific to the individual and consider their specific circumstances. However, there also needs to be a consistent process to deliver consistent outcomes.

Therefore, a key challenge to overcome is how to make the financial advice process robust, but flexible enough to account for the myriad of different vulnerabilities and the impact that these may have on the recommendation the customer receives.

Incentive structures can promote bad outcomes if they are not designed properly. However, they also need to promote good behaviour while aligning the interests of the client and the adviser. This is not always easy to achieve. On one hand, firms want advisers to be rewarded for writing business, but on the other hand, they want to penalise advisers for delivering poor outcomes for customers.

6.3 Recommendations for firms

6.3.1 The factors need to be considered when advising vulnerable customers

Being able to empathise, ascertain and support the needs of vulnerable customers ensures that these customers will engage with the advice process, helping them to make better financial decisions and delivering better outcomes.

Understanding their different needs is essential in ensuring that information is delivered in a way which is understandable and engaging.

Firms should identify whether the customer's vulnerability impacts:

- Their ability to understand the information provided to them
- Their objectives and preferences

- Their ability to make financial decisions on their own

6.3.2 The implication for the advice process

A traditional financial advice process aims to deliver the best financial outcome to the member. However, a better understanding of a circumstances that may impact upon a customer's level of vulnerability may have implications for the advice process and could lead to an alternative recommendation which considers the customer's needs.

The FCA guidance says that firms need to consider how to service vulnerable customers during the product and service design, within the customer service and communications. Therefore, the regulator will expect firms to consider how to service vulnerable customers within the design of the advice process (service):

- Firms should have a specific part of their advice process which aims to identify whether the customer has a vulnerability which needs to be considered
- This process should then consider the most appropriate course of action, whether that be in terms of how the recommendation is formulated, or whether the communication of the recommendation needs to be adjusted
- A period of reflection should be offered to the customer, along with the option of having someone accompany them to the next meeting
- Customers need to be able to easily speak to a customer service helpline (or similar) to discuss any issues they have after receiving advice.

6.3.3 How to ensure that incentive structures are appropriate

Financial advisers are incentivised to deliver business for the company. It is therefore important that the incentive schemes in place do not incentivise bad outcomes for customers. The interests of the adviser and the customer should be aligned.

The FCA recognises that the way staff are paid and managed can often influence the way that they behave with customers.

They expect firms to identify and assess the potential risks to customers that might arise from their activities. Risks are likely to occur where staff can be rewarded for actions or behaviours that are contrary to achieving good customer outcomes and which could result in customer harm.

The FCA consider vulnerable customers to be at greater risk of harm and, therefore, firms incentive schemes around vulnerable customers are of particular focus.

- Firms should have robust sales quality processes in place which identify whether the vulnerable customer section in the advice process has been followed correctly and whether the recommendation is suitable and takes into account any vulnerabilities.
- Where inappropriate recommendations have been made, suitable adjustments to the adviser's variable compensation should be made.
- Where persistently poor outcomes have been delivered, suitable disciplinary action should be taken.

7 Ensuring your vulnerable customer corporate policy is fit-for-purpose

7.1 Introduction

A firm should build a governance framework that can meet the needs of a number of business areas and holds the right individuals to account, gaining firm-wide buy-in for action, including board-level engagement and support.

In seeking to meet the standard set by the Guidance, firms might consider the following actions to facilitate the practical implementation of a culture in which the firm takes responsibility for reducing the potential for harm to vulnerable customers.

General governance and framework:

- Define within policy a ‘vulnerable customer’ – deciding which characteristics to include;
- Develop tools and technology to support both staff and customers;
- Embed the right firm-wide culture, including across any outsourced functions;
- Leverage third-party expertise (e.g., charities) and knowledge to improve approach;
- Establish appropriate oversight processes over third parties and appointed representatives to ensure that customers are treated fairly.

Firms should consider allocating senior accountability for the delivery and reinforcement of a culture in which all staff take responsibility for reducing the potential for harm to vulnerable customers. While there isn’t a prescribed responsibility for treating vulnerable customers fairly under the SM&CR, the PRA rulebook explicitly states that responsibility for overseeing culture should be prescribed typically to a firm’s CEO or Managing Director. For all other firms, the FCA’s Conduct Rules ask staff, including senior managers, to take responsibility for treating customers fairly.

A high-level policy on customer vulnerability should be in place to provide a framework for a consistent approach that is embedded across all operations and ensuring that all relevant staff are aware of the policy.

7.2 Recommendations for firms

The policy should support the firm’s approach to implementing and maintaining an adequate and effective risk management and control framework in relation to vulnerable customers.

The policy should be owned by the individual who has been allocated accountability for the delivery and reinforcement of a culture in which all staff take responsibility for reducing the potential for harm to vulnerable customers.

The policy should:

- Provide guidance for staff on how the firm defines and identifies a vulnerable customer
- Outline the processes in place to help support vulnerable customers.
- Outline roles and responsibilities in relation to vulnerability and the firm will oversee compliance in this area.

Sections a firm should consider including are:

- Definitions of both vulnerability and of a ‘customer’. It may also help to include definitions of some common vulnerabilities which can be found on the relevant organisation’s website. For example:

International Federation of Red Cross and Red Crescent Societies

“Vulnerability can be understood as diminished capacity of an individual (or and interconnected group) to anticipate, cope with, resist and recover from the impact of significant or even everyday events”

- Scope should be documented to enable to the audience to understand that a consistent approach should be embedded across all operations, and any relevant regulation and legislation referenced.
- The firm’s key principles in relation to dealing with vulnerable customers should be documented and might include statements that the firm:
 - works on the general principle that they will take appropriate steps to consider the circumstances of any individual who is particularly vulnerable or susceptible to detriment and needs adjustments to the way in which the firm communicates and supports them;
 - recognises that vulnerability is a state not a trait, that there is a sliding scale of vulnerability, and that people are different, meaning that some customers with certain characteristics of vulnerability will become vulnerable in circumstances where others may not;
 - believes the welfare of any vulnerable customer is paramount; those who are vulnerable without exception have the right to protection from harm;
 - works on the basis that every individual is different, has different circumstances, and therefore may need consideration, and as far as possible, will be treated in a way that is appropriate to their needs, where possible tailoring the approach;
 - have a number of processes and tools in place to facilitate how the firm can support vulnerable customers;
 - will seek, both through its direct contractual relationships and through its contractors’ sub-contractors to ensure that appropriate provisions are in place to protect vulnerable customers.
 - expects its own and its subcontractor’s staff who come into direct contact with members of the public as part of their job to carry out appropriate selection and vetting procedures, including where appropriate basic criminal record checks; and
 - takes any complaint about treatment of vulnerable customers very seriously and any complaint will be investigated fully.

The firm should also document its approach in relation to:

- Alternative formats of literature available to customers;
- Services available to customers to help them communicate with the firm;
- Language Resources such as translation or literature available in other languages;
- The firms’ reasonable adjustments processes;



- The firms' process for dealing with Customers at immediate risk of harm such as suicidal customers, customers at risk of domestic violence, or customers living in refuges.

The policy should be widely circulated and acknowledged by staff and used as a basis for training. In addition, the policy should be made public on the firm's website.

8 Measuring outcomes experienced by vulnerable customers

8.1 Introduction

Firms should regularly monitor compliance with the guidance and firms are expected by the regulator to be able to demonstrate this compliance in terms of treating vulnerable consumers fairly. This means firms should monitor whether their understanding of vulnerable consumers is embedded across their business and monitor how their actions affect the outcomes that vulnerable consumers are experiencing. In the absence of good quality, insightful MI, firms may find it hard to demonstrate how they are achieving fair outcomes for their customers, as well as managing the risks to themselves

This monitoring should therefore be supported by appropriate flows of management information to relevant teams and Senior Managers. Firms should use the results of this monitoring to continually learn and develop their understanding of the needs of vulnerable consumers. They should also understand what activities and processes work well, when to apply them and what needs to be adapted to improve the outcomes for vulnerable consumers. Firms should continue to strive towards ensuring they are treating their vulnerable customers fairly.

8.2 Regulatory requirements

- Implement appropriate processes to evaluate where they have not met the needs of vulnerable consumers, so that they can make improvements.
- Produce and regularly review management information, appropriate to the nature of their business, on the outcomes they are delivering for vulnerable consumers.

8.3 Recommendations for firms

Understanding your customers from the outset is vital, gaining an understanding of the more common types of vulnerability experienced by the firms' customer base and target market will ensure an ability to better respond to their support needs. For example, a pension administrator may want to understand the potential vulnerabilities faced by those in later life as well as the risks of pension scams and fraud as part of their research into customer outcomes. These will be different for other financial services firms, and time should be taken to understand the needs of the particular customer base.

The regulator's supervision of the effectiveness of a firm's progress will be outcomes-based rather than rules-based, so firms may find it useful to develop multiple approaches which demonstrate ever improving outcomes for their customers. This may mean a mix of measurable data in a governance dashboard sits alongside a roadmap or similar that tracks the effectiveness of specific targeted

developments. In this way firms can achieve long term analysis of trends related to vulnerability and evidence cyclical initiatives that have measurable impact on the quality of outcomes achieved.

The firm should have sufficient Management Information (MI) to both identify risk and monitor outcomes.

Remembering that a firm's approach should be proportionate to the issues they face, MI to identify risk could include:

- Data on the number of vulnerable customers; Including a count of *active* and *archived* cases;
- Information on the nature and impact of the vulnerable situations disclosed by customers;
- Trend analysis around specific vulnerability types experienced by a firm's target demographic;
- Data on staff training including a count of the number of colleagues trained to identify and record vulnerability;
- Time taken between identification and obtaining of consent/ recording of support solutions;
- Data on the point of the customer journey or product life cycle at which customers are identified as vulnerable; and
- The length of time that customers are tagged as vulnerable if vulnerability is transient.

MI to monitor outcomes could include data:

- On the actions taken to monitor/assist customers once they are identified as vulnerable e.g. referral to specialist teams, tagging/flagging customer records; signposting to alternative external services;
- To assess whether products or services are meeting the needs of customers when providing information and support to make decisions;
- To assess whether customer service and communications are meeting the needs of vulnerable customers;
- To ascertain if customers can access products or product features that are suitable and that meet their (changing) needs;
- To compare the outcomes for vulnerable customers with other customers;
- Monitor the effectiveness of controls in place to mitigate the risk of potential customer harm or poor outcomes;
- Case studies to show the real-world impact of support solutions implemented for vulnerable customers; and
- Data around QA sampling on whether vulnerability is being consistently identified in key areas such as contact centres, operational teams, and complaints departments.

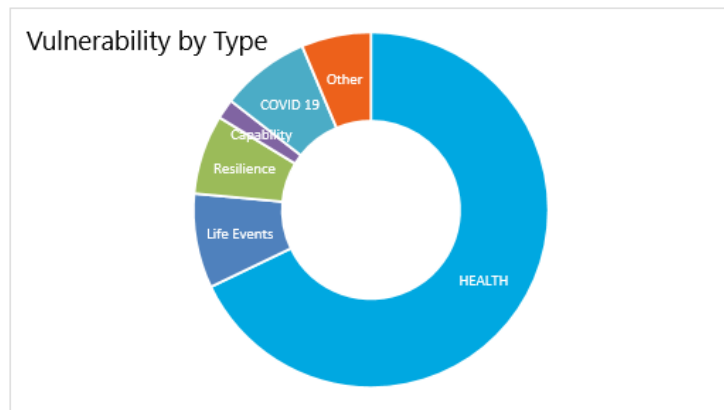
Actions should be taken where the MI suggests that there is a risk of vulnerable customers experiencing harm or poor outcomes, or where that risk has crystallised.

Vulnerable customer MI should be shared internally with champions and team managers, case studies are a tool for sharing good news stories and bringing to life how additional support can greatly impact customer experience for the better and is an excellent driver for internal engagement, embedding and culture.

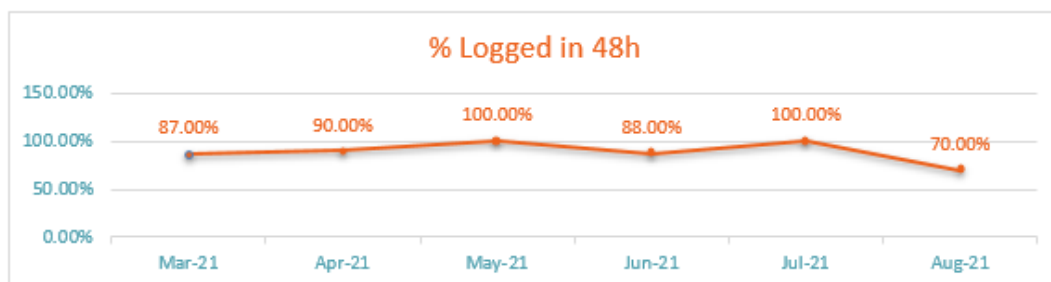
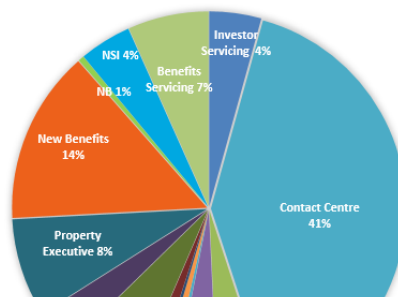
Understanding and highlighting areas of the business where vulnerability is being identified allows team managers to ensure their processes are designed with identification in mind and shows potential areas for training and improvement when teams with high customer contact record lower than average numbers of vulnerable customers

8.4 Examples of reporting vulnerable customer data:

8.4.1 Recording vulnerability by FCA key driver;

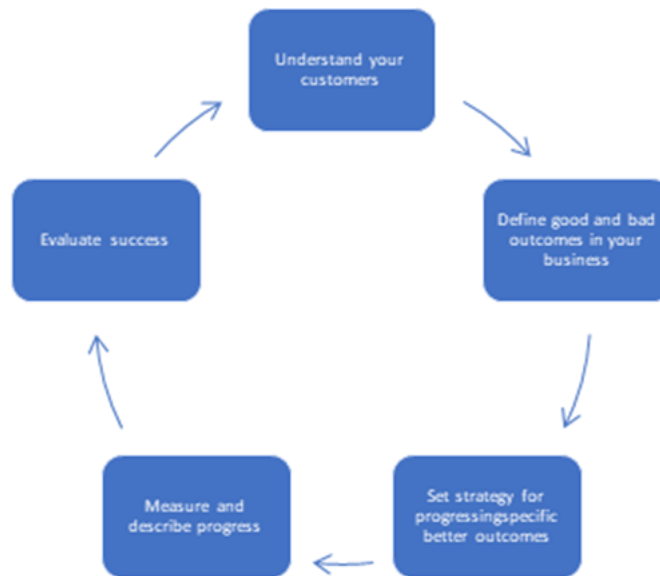


8.4.2 Recording business areas where vulnerability is being identified;



8.4.3 Measuring time taken between identification and recording; in this example the firm has set a 48-hour timeframe for staff to record vulnerability from the initial disclosure of potential vulnerability.

8.4.4 Implementing a cyclical programme of improvement into an internal roadmap



8.4.5 Evidencing incremental improvements

Understand your customers	The relatively high average age of our customer base means 2900 new Power of Attorney cases are received each year. Customers have very mixed experiences.
Define good and bad outcomes in your business	Approximately 15% of new cases are rejected for not meeting the minimum acceptance criteria. The main driver for rejections are incorrect certification. A good outcome for our customers would be to submit the paperwork once and have the register updated.
Set strategy for progressing better outcomes	<ul style="list-style-type: none"> Improve signposting on client communications Educate contact centre staff on minimum acceptable criteria Provide an education module on our website that shows how to certify the document correctly Review internal processes to avoid unnecessary rejections
Measure and describe progress	<ul style="list-style-type: none"> Goal: reduce rejected POA documents from 15% to 2% over 18 calendar months Measure: include specific statistics in monthly vulnerability governance pack to senior management Describe: highlight progress using the customer voice where possible.
Evaluate success	Evidence better outcomes by describing results against goals

9 Additional considerations for firms

9.1 Navigating GDPR constraints

Firms need to find the right way to collect and process vulnerable customer data, where it meets the standard of “special category data”, in line with the GDPR requirements. On the one hand a firm will need to process data to enable them to fully understand the customer’s circumstances and to offer the best possible products and service, but firms may also be concerned that processing the data may be in breach of the GDPR.

In short, the GDPR requires a basis for processing special category data under both Article 6 and 9. Typically firms will have a basis under Article 6, such as for the performance of the contract, but Article 9 requires an additional basis where special category data is concerned.

If the customer is capable of providing consent, and comfortable to do so, explicit consent may be relied upon. Where it is possible to do so, consent should be the default. Article 9 of GDPR does provide further circumstances where a controller can process such data, consent is only one of Article 9, paragraph 2a-j, there are nine other reasons.

One of these reasons is ‘Substantial Public Interest’. This condition requires additional conditions of member state law to be met. The Data Protection Act 2018 gives controllers the ability to process health data where the following conditions are met:

- (a) the customer cannot give consent, or
- (b) where the controller cannot be able to obtain consent, or
- (c) where obtaining consent would prejudice the provision of protection to that customer, and where
- (d) a customer at ‘economic risk’ is defined in relation to individuals who cannot protect their economic well-being due to their physical or mental injury, illness or disability.

A firm may therefore wish to rely on this condition where consent cannot be obtained from the customer.

The principle of accountability requires the firm to be able to demonstrate that compliance with the UK GDPR and have appropriate policies and processes. This means demonstrating and documenting that which lawful basis applies to each processing purpose has been properly considered.

The firm should clearly document an appropriate policy which outlines:

- the Schedule 1 condition (or conditions) it is relying on;
- the procedures for complying with each of the principles;
- the retention and deletion policies; and
- an indication of the retention period for the specific data.

Data should only be kept as long as it is needed, in line with financial services regulations and data protection law and/or principles relating to processing of personal data, including purpose limitation, data minimisation, accuracy, storage limitation, integrity and confidentiality, and accountability.



Further information on conditions, checklists to help a firm determine if they are processing data and guidance on policy making can be found on the Information Commissioners website:

<https://ico.org.uk/for-organisations/guide-to-data-protection/guide-to-the-general-data-protection-regulation-gdpr/special-category-data/what-are-the-rules-on-special-category-data/>

9.2 Technology & system requirements

Technology can help to proactively identify vulnerable customers, enhance customer experiences and automate tasks to drive operational efficiencies.

Some areas where technology may make a significant impact are:

- Using voice analytical software to monitor customer interactions over the phone for signs of potential vulnerability and to provide real-time guidance to staff on appropriate policies and procedures. Such analytics can also help to reduce some instances of fraud.
- Reducing the resource burden of monitoring customers and oversight of remote workers.
- Making governance and accountability arrangements clear for processing decisions and workflows.
- Streamlining and enhancing the accuracy of reporting, both internally and to regulators.

TISA in partnership with Altus, has developed the Vulnerability Radar for firms to periodically assess their capability in supporting vulnerable customers. The Vulnerability Radar asks a range of questions relating to policy, products, systems, and implementation, assesses the responses against best practice and provides a score and recommendations to help companies identify areas for improvement.

The Vulnerability Radar is free to use and can be accessed on TISA's website.

<https://www.tisa.uk.com/tisa-vulnerable-customers-self-assessment/>

9.3 Ensuring accurate records are maintained

Firms should establish a means of recording the nature of the vulnerability and to best support the customer so that they get a better experience in the future, using the definition of a vulnerable customer set by the FCA consistently across their firm when recording data, while flexibility may be required to adapt to particular product lines or business areas. The ICO's definition of 'vulnerable individual' should also be considered in matters related to data protection.

The disclosure of vulnerability should be recorded when it is appropriate to do so and, once the permission has been obtained from the customer, to avoid multiple disclosures by the customer and to ensure customers are supported in the most appropriate way at every touchpoint. During the recording process, firms could choose only to record objective information at point of disclosure, not their opinion, and explain to the customer why they are recording this information, as appropriate. This could be achieved by recording statements using the customer's own words, repeating to the customer what will be recorded, with a focus on recording the needs or adaptations that the customer asks for rather than an assumed condition or category.



Training needs for frontline staff should be reviewed regularly to ensure good practice, taking into account legal and regulatory developments.

Firms should keep customers in mind throughout the process of recording data and stay up to date on data recording good practice, innovations and solutions in the market. The focus should be on recording the reasonable adjustment needed to accommodate the needs of the vulnerable customer as opposed to the cause of the vulnerability.

Firms should use their MI to analyse whether improvement can be made and whether there are other actions should be taken and maintain a log of actions in support of vulnerable customers. Analysing vulnerability data, and other data sources to improve the understanding of their customer base to improve products and processes by design.

10 Examples of National charities that vulnerable customers can be signposted to

Debt Management and Financial Capability

Step Change Debt Charity	https://www.stepchange.org/
National Debt Line	https://www.nationaldebtline.org/
Citizens Advice	https://www.citizensadvice.org.uk/
Debt Advice Foundation	http://www.debtadvicefoundation.org/
The Money Charity	https://themoneycharity.org.uk/
The Money Advice Trust	https://www.moneyadvicetrust.org/

Characteristics of Vulnerability

RNIB (Visual Impairment)	https://www.rnib.org.uk/
RNID (Aural Impairment)	https://rnid.org.uk/
British Dyslexia Association	https://www.bdadyslexia.org.uk/
Age UK	https://www.ageuk.org.uk/
Stroke Association	https://www.stroke.org.uk/
Refuge	https://www.refuge.org.uk/
Mental Health Foundation	https://www.mentalhealth.org.uk/
MIND	https://www.mind.org.uk/
Alzheimer's Society	https://www.alzheimers.org.uk/