

**THE CHALLENGE OF SERVING VULNERABLE CUSTOMERS**

The FCA last week published a paper on the treatment of vulnerable consumers. It is intended to contribute to a conversation that the industry, regulators and consumers need to have. This initiative from the regulator looks at many related issues – for example, 1 in 8 people in the UK act as carers, the number of dementia patients is due to double over the next 40 years and someone is diagnosed with cancer every two minutes. Something which is often overlooked in product design and solutions to financial circumstances is thinking about how the industry can serve all of their customers, including the most vulnerable in society, fairly.

This may well provide a real challenge for providers and fund groups as vulnerability can cover multiple situations, long and short-term issues, and can be static or episodic in nature. It can affect the young and old, and most of those who are vulnerable would not necessarily describe themselves as such. Even identifying that someone does not fit into a set mould can be difficult.

It is a challenge for regulators as well, as changing demographics pose new questions. The change is happening so quickly and the effects so varied, trying to formulate rules or issuing guidance can be difficult.

The FCA recently looked at one case where a woman suffering from breast cancer and her husband, who had given up work to care for her, asked their bank for a mortgage holiday or conversion to interest-only for a specific period. They were told they would need to submit a new application that would be subject to standard affordability criteria, which they would not meet due to their recently changed employment status. It was only thanks to the tenacity of a charity, which negotiated on the couple's behalf, that the lender agreed to six months free of interest on their mortgage.

This echoes some of the findings in the TSIP project, where the industry makes it extremely difficult to engage with customers, particularly at the less well-off end.

The essence here is giving consumers good outcomes. That does not have to mean a wholesale redrawing of processes and systems but, rather, the flexibility to adapt if the strict application of those processes could result in a bad result for the vulnerable.

The first conversation is crucial. Get it right and a person's situation can be identified, additional help requested and, if recorded properly, can help staff deal with the case effectively in the future. The FCA will expect firms to allow staff to treat customers as they would like a member of their own family to be treated. Firms could also provide guidance on some of the more common situations - for example power of attorney or end of life discussions.

Get it wrong and firms put their business at risk. Firms have legal responsibilities and a duty under FCA rules to ensure customers are treated fairly. The advice sector has a particular advantage as invariably advisers know their clients and provide a tailored service suitable to individual needs.

The FCA paper comes with a pack intended to help understanding of what good looks like for consumers, along with questions to consider when dealing with vulnerability. Providers and fund groups will no doubt be studying these closely to ensure consumers are treated fairly and correctly and also to ensure they comply with any legislation that follows.

<http://www.fca.org.uk/consumer-vulnerability>

***Peter Smith, Head of Policy Strategy Development***