

## **Financial Lives:**

The experiences of vulnerable consumers

July 2020

# Contents

<b>Acknowledgements</b>	3
<b>Executive Summary</b>	4
<b>1</b> Context	8
<b>2</b> Recognising vulnerability and responding to customers' needs	13
<b>3</b> The value of sympathy	17
<b>4</b> The importance of empowered and knowledgeable staff	21
<b>5</b> Addressing communication needs	23
<b>6</b> Next steps	26

**Sign up** for our weekly  
**news and publications alerts**

See all our latest  
press releases,  
consultations  
and speeches.



## Acknowledgements

This report has been jointly authored by Georgina Clarke, Claire Johnson, Alex Pearson, Helen Greevy, Libby Eastwood and Jess Gillingham at IFF Research, and Rebecca Langford, Laura Leng, and Robert Cross at the FCA.

The authors of this report would like to thank all the participants who gave their time so generously to take part in an interview and speak so frankly about their experiences, especially those who agreed to be filmed. Thanks also go to Criteria Research who conducted the recruitment for the study, and Insider who provided filming and communications expertise to help bring the findings to life.

## Executive Summary

We define a vulnerable consumer as someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm doesn't act with appropriate levels of care. Our Financial Lives survey describes 4 drivers of vulnerability:

- low resilience
- low capability
- suffering a negative life event or
- having an ongoing health condition that affects day-to-day activities a lot

We want firms to do the right thing for vulnerable consumers and embed this approach in their culture. Protecting vulnerable consumers is a priority for the FCA, as we explained in our ['Our Approach to Consumers document'](#). Securing an appropriate degree of protection for consumers (one of our 3 operational objectives set out in Section 1C (1) Financial Services and Markets Act 2000) lies at the heart of what we do and we would be more likely to intervene where we identify harm for vulnerable consumers.

In July 2019, we issued our ['Guidance Consultation – Guidance for firms on the fair treatment of vulnerable customers \(GC 19/03\)'](#). The second consultation on the revised draft Guidance for firms on the fair treatment of vulnerable consumers is published alongside this research. The Guidance Consultation is one element of a number of projects and initiatives that we are involved with relating to vulnerable consumers.

This research aims to enhance our understanding of the experiences of consumers who show characteristics of vulnerability. It will inform our work in relation to vulnerable consumers, including guidance for firms on the fair treatment of vulnerable customers. Respondents to [GC 19/03](#) found the case studies in the draft guidance useful, helping them understand what they can do to ensure they treat vulnerable consumers fairly. Similarly, the range of consumer experiences reflected in this report – both good and bad – will help firms.

### Case studies

---

This report looks at vulnerable customers' experiences in dealing with retail financial services firms. This is based on 21 face-to-face in-depth interviews with consumers who have one or more drivers of vulnerability. While the case study interviews took place in 2019 before coronavirus (Covid-19), the findings about the experiences of vulnerable consumers are even more relevant given that we expect coronavirus will have significantly increased the number of consumers with characteristics of vulnerability.

These experiences covered a range of financial products. These included house insurance, car insurance, travel insurance, current accounts, loans, overdrafts, critical illness cover, mortgages, and equity release. This report provides insight into the real experiences of a small sample of people dealing with a broad range of firms.

Reviewing these case studies, we have summarised the themes from the experiences of the 21 consumers who took part in this research. These are the common themes reflected in the in-depth interviews.

These case studies explore consumers' experiences based on what they perceive to have happened. So, the case studies are not an assessment of the individual firm's conduct, nor are they an assessment of regulated firms' behaviour as a whole.

## Key themes from the case studies, recognising vulnerability and responding to customer's needs

---

Our Financial Lives survey has identified the scale of the interaction of the different characteristics of vulnerability. We have built on this knowledge by undertaking a number of face to face interviews to further explore vulnerability.

This work showed similar levels of interaction between the different characteristics of vulnerability found in the Financial Lives survey. When a customer contacts a firm and highlights one driver of vulnerability there is a significant likelihood that other drivers may also be present. For example, a health condition that means a customer can no longer work may also result in low resilience.

Firms have told us that recognising whether a customer may be vulnerable is a key challenge in meeting vulnerable consumers' needs. Some customers' experiences in this report were directly affected by how aware the firms were of their vulnerability. The participants had mixed experiences of firms' understanding their needs.

As with most customers, those featured in these case studies expected firms to respond appropriately when they contacted a firm about an issue involving their vulnerability. The case studies show a mixed picture. For example, there are 2 case studies where customers in similar situations (seeking to close the account of a deceased relative) had very different experiences in how they were dealt with.

These case studies profile examples of firms actively offering support to customers struggling to manage their money. The customers reported that this support had a positive impact with increased confidence in managing their money and more generally in dealing with financial services firms.

Customer experiences depended on good two-way communication. In some case studies, customers were reluctant to share information about their health problems, which resulted in them experiencing harm.

### The value of sympathy

The responses customers in these case studies received during the personal interaction had a significant impact on how they felt and therefore how they, in-turn, responded.

In many examples the customers chose to interact directly through a phone call or branch visit as they felt personal contact was more desirable. Where a firm's representative took the time to listen to the customer's issues and showed sympathy, they built a rapport. The customer was then more likely to share information, better enabling the firm to help them appropriately. For example, after one such exchange,

a customer who was suffering from depression and anxiety was willing to share information on his health issues. This was despite his general concern that other financial service firms would charge him more or refuse to lend to him because of his change in circumstances.

In these case studies, vulnerable customers were often already concerned or anxious about how their circumstances would affect the outcome of the interaction. In these examples, it helped where frontline staff acknowledged this and where they didn't, customers felt it had a negative impact on their behaviour. In one example a consumer, who was suffering from Post-Traumatic Stress Disorder, was trying to shop around for travel insurance, and in one incident the firm hung up on her, as soon as it became clear they would not be able to insure her.

### **The importance of empowered and knowledgeable staff**

The customers in these case studies were not always clear about what options the firm could offer them. Where staff were proactive in guiding customers in these case studies, customers felt it had a significant impact on the financial outcome of an interaction. In one example, a firm set up account restrictions to help an individual with bipolar disorder avoid getting further into debt. In another the customer recalls being proactively referred to a specialist team within the firm so that they could better deal with her financial issues.

In these case studies, even where an 'ideal' solution for the customer could not be reached, some customers were offered alternatives or signposted to further support. These customers felt that this reduced the risk of potential harm developing. In other case studies, customers were not given any flexibility because of the restrictive terms of the product. This was true even though staff were sympathetic to their situations.

### **Addressing communication needs**

In these case studies, some vulnerable customers' situations meant they ignored an issue that made their financial position worse. This financial harm could develop even where firms' staff were empowered to respond positively.

In one example, a vulnerable customer ignored communications from a loan company, as she expected to be taken to court. However, the loan company agreed a revised repayment schedule when the customer contacted them, which avoided the customer getting further into debt.

Firms communicating information in an appropriate way was particularly important for vulnerable customers, some of whom struggled to make decisions. A customer's vulnerable situation may mean, for example, that they have difficulty understanding numbers, making it harder for them to interact with financial service firms. They relied more on the firm to present information in a way they understood. There were examples of the use of complex medical questions, and firms failing to act on information received, such as not understanding what the specific impacts of a medical condition were.

Summarised case studies illustrating these findings can be found in the case studies document published alongside this report.

These case studies form part of our ongoing programme of work to understand the financial lives of consumers across the UK. Longer term we will continue to monitor the prevalence of drivers of vulnerability through our range of work including the Financial Lives survey. The first wave of our Financial Lives survey was published in 2017. The fieldwork for the full second wave of this survey was completed in mid-February. Among other things, it provides further data on the drivers of vulnerability. We are conducting further consumer research to understand the evolving impacts of the coronavirus pandemic on vulnerable consumers. The results of this range of work will be available in the winter.

# 1 Context

**This report looks at the interactions that a number of vulnerable consumers had with financial services firms. It provides evidence from people about their experiences to understand whether they experienced or avoided harm.**

We define a vulnerable consumer as someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm doesn't act with appropriate levels of care.

## Our Guidance Consultation on the fair treatment of vulnerable customers

---

Protecting vulnerable consumers is a priority for the FCA, as we explained in our '[Our Approach to Consumers document](#)' and in [GC 19/03](#). This research aims to give us a better understanding of the experiences of consumers who show characteristics of vulnerability. The evidence in these case studies as well as the feedback to the guidance consultation has informed the development of the second guidance consultation which is published alongside this research.

Respondents to [GC 19/03](#) found the case studies in the draft guidance useful, helping them better understand what they can do to ensure they treat vulnerable consumers fairly. Similarly, the range of consumer experiences reflected in this report, both good and bad, will help firms further.

## Our other work to support vulnerable consumers

---

The FCA continues to carry out a wide range of work to protect vulnerable consumers. A recent example of the outputs of this work is the [overdraft repeat use and competition remedies](#) that came into force in December 2019.

In addition to this wider work and our guidance, the FCA is taking forward a number of other projects and initiatives to protect vulnerable consumers. These include:

- [Signposting to travel insurance for consumers with medical conditions](#) – We published this policy statement in February 2020, following our Feedback Statement in 2018 on our Call for Input on Access to Insurance (2017).
- [Fair pricing in financial services](#) – Following publication of our discussion paper on fair pricing in financial services, we published our Feedback Statement in July 2019. For 2020/21 one of our business priorities is to make sure vulnerable consumers are not at risk of being treated unfairly in the pricing and other terms they receive.
- [The Consumer Forum](#) Convened by the Department for Business, Energy & Industrial Strategy. We will continue to attend meetings and contribute to wider initiatives with the other members of the Forum.
- [The UKRN vulnerability sub-committee](#) – We will continue to be an active member of the sub-committee. In particular, we will support projects that complement and



build on the work being done by regulators to improve outcomes for consumers in vulnerable circumstances. For example, in 2018 UKRN published joint UKRN-Office of the Public Guardian guidance on Power of Attorney to provide straightforward and consistent advice on how customers of utility companies and financial services can be supported to manage their affairs before or when they have lost mental capacity. More recently we have contributed to the [UKRN's cross sector project to understand and improve the outcomes for consumers in vulnerable circumstances](#).

## Drivers of vulnerability

---

In our '[Our Approach to Consumers document](#)' we set out the characteristics that are drivers of vulnerability. These are:

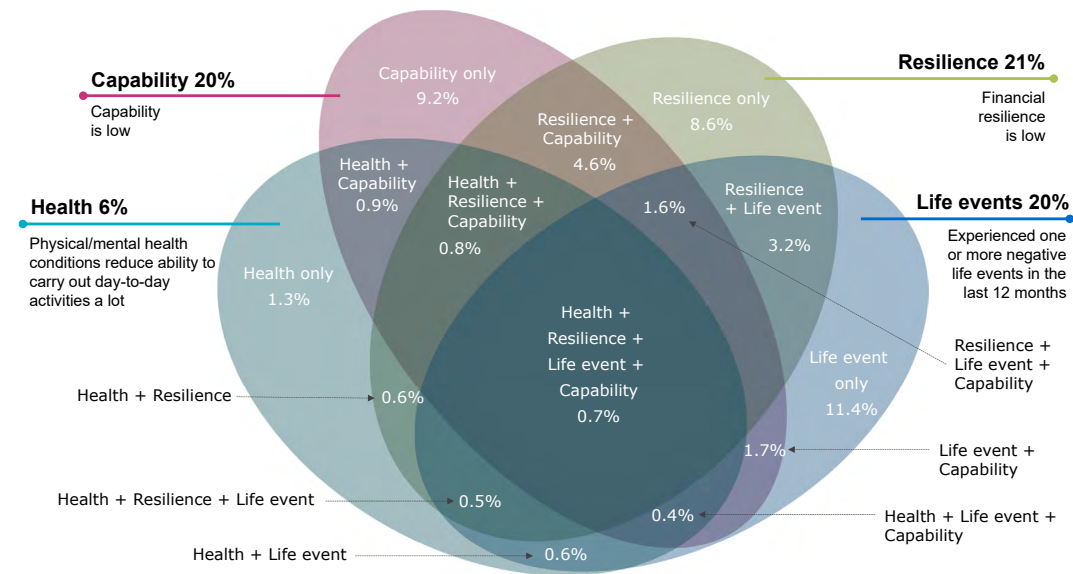
- **Health** – health conditions or illnesses that affect the ability to carry out day-to-day tasks
- **Life events** – major life events such as bereavement, job loss or relationship breakdown
- **Resilience** – low ability to withstand financial or emotional shocks
- **Capability** – low knowledge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

## The scale of the problem

---

Our Financial Lives 2020 survey found that just under half (46%) of UK adults (24.1 million people), display one or more characteristics that fall under these 4 drivers. Some groups are more likely to display characteristics of vulnerability than others, such as those over 75, those unemployed, those who rent and those with no formal qualifications. Consumers will often display more than one characteristic of vulnerability (the Financial Lives 2020: enhanced vulnerability algorithm). Figure 1 uses results from our Financial Lives 2020 survey to give an overview of the proportion of UK adults displaying each of these drivers of vulnerability and the different combinations of drivers.

**Figure 1: – Proportion of UK adults displaying each of the drivers of vulnerability (from Financial Lives 2020. Base: All UK adults, 18 and over (16,190))**



**Note on Figure 1**

Vulnerability statistics from the Financial Lives 2020 survey are based on a greater number of questions about vulnerability than were used when reporting our 2017 survey. However, to help comparison, these statistics are available from both the 2017 and 2020 surveys.

The statistics now also include those with no or poor digital skills, and those with addiction-related health conditions. Some characteristics of vulnerability identified in our Draft Guidance are not included, for 3 reasons:

- the relevant question is in the 2020 survey but was not in the 2017 survey
- some characteristics of vulnerability were still in development (following feedback to our July 2019 Vulnerability Guidance consultation) when the 2020 survey was made ready to go into the field
- or the characteristics are too sensitive to cover in a quantitative survey

When, in this research, we cite Financial Lives 2020 survey results on vulnerability, it is important to bear in mind:

- The 2020 survey was conducted from late August 2019 to mid-February 2020. The results do not reflect the impact of coronavirus.
- The Financial Lives survey statistics on vulnerability will somewhat underestimate the proportions, and numbers, of UK adults we might deem to be displaying characteristics of vulnerability.

**Vulnerable consumers and harm**

Vulnerable consumers may be more likely to be at risk of harm. In many cases, this risk of harm may not develop into actual harm. But if it does, the impact on vulnerable consumers is likely to be greater than for others.

Our work in this area has identified potential harms that vulnerable consumers may be more likely to experience. These include:

- Financial exclusion – Vulnerable consumers are more likely to be unbanked and less likely than average to hold any form of savings, insurance or protection, pension, or investments.
- Difficulty in accessing services – either through lack of access to the internet, poor broadband, or difficulties in visiting a branch because of a physical disability.
- Partial exclusion – Vulnerable consumers may be unable to access the best deal. This is because they may be unable to search effectively or evaluate the options available. They may also be more likely to be refused or declined the best

deal by firms, either because they represent a greater risk or because they are discriminated against.

- Disengagement with the market – Vulnerable consumers are more likely to hold a product for a greater period of time without switching.
- Scams – Vulnerable consumers may be more likely to fall victim to scams. They may be specifically targeted through unsolicited approaches, or more likely to be persuaded to disclose personal financial details. Vulnerable consumers may be less likely, or unable, to regularly check their bank account or statements and therefore less likely to spot unusual transactions.
- Over-indebtedness – Vulnerable consumers are more likely to fall behind on paying key household bills or credit commitments.
- Exposure to mis-selling – Vulnerable consumers may be more likely to fall victim to pressure selling, or be given the wrong information about products or services by staff who do not understand their circumstances.
- Inability to manage products or services – Vulnerable consumers may be less likely to understand how to manage the way they use a product or service. They may be less likely to be aware of their rights, including how to get redress when things go wrong.
- Buying inappropriate products or services – Vulnerable consumers may be more likely to have mistakenly bought a product or service that was not appropriate for them because they misunderstood the features or the terms and conditions.

## The approach to this research

---

The research involved 21 face-to-face interviews with consumers who had an interaction with a financial services firm in the last 3 years. The interviews took place in August and September 2019. Each consumer's interaction was either a result of, or affected by, their vulnerability. The findings from these interviews are summarised in 23 case studies, which are published in full in the case studies document.

The research involved 4 aspects.

Firstly, to be included in the interviews, a consumer had to have experienced one or more drivers of vulnerability at least one of which was a negative life event over the previous 3 years or an ongoing health condition. The research focused on these 2 drivers of vulnerability because they can affect anyone at any time, regardless of socioeconomic status. Also, as shown in Figure 1, there are significant overlaps between the different drivers of vulnerability. Because of these underlying characteristics of the population, many participants also had both low resilience and low capability. As well as a variety of health conditions and life events, the consumers who took part in this research covered a broad range of different demographic characteristics (eg age band, gender, income level), and were from across the UK's 4 countries.

Secondly, the participant must have had an interaction with a firm that was relevant to the participant's vulnerability, for example, contacting a firm about a recent bereavement or a change of circumstances caused by a newly diagnosed health condition. This meant that the experiences captured in the case studies are directly relevant to a situation where the consumer's vulnerability was an important part of the interaction.

Thirdly, the interviews captured the experience from the customer's point of view. These interviews explored consumers' experiences based on what they perceived to have happened, and their expectations. The case studies are not an assessment of the individual firm's conduct nor are they an assessment of regulated firms' behaviour as a whole. The Guidance includes examples of the good and bad practice we have seen from firms in the fair treatment of vulnerable customers.

Finally, the interviewers sought to understand whether the participants in this research had experienced any harm as a result of the interaction, or whether pre-existing harms had been made worse or reduced. The interviews captured examples of monetary harm, such as losing money, incurring charges, having problems paying bills or having to borrow money. They also captured the non-monetary harms experienced, such as anxiety, stress or spending a lot of time resolving a problem with a financial services firm.

## The structure of this report

---

Each chapter of this summary report focuses on a different theme from the 23 case studies. These themes illustrate what vulnerable customers in these case studies wanted from their interactions with firms. They also highlight the harms customers experienced or avoided as a result of the interaction and how customers felt that the firms met or did not meet their needs.

The 4 themes identified are:

- 1.** recognising vulnerability and understanding customer's needs
- 2.** the value of sympathy
- 3.** the importance of empowered and knowledgeable staff
- 4.** meeting communication needs

This main report summarises the case studies that are relevant to each theme. The case studies document sets out the full case studies and is published alongside this report.

## 2 Recognising vulnerability and responding to customers' needs

In these case studies, recognising when a customer is vulnerable was a key challenge for firms in meeting vulnerable consumers' needs. This chapter looks at how some customer experiences were directly affected by the firm's understanding of their needs.

### Summary

- Where a customer contacted a firm about an issue involving a driver of vulnerability, they expected firms to respond appropriately. Some customers would have liked a tailored response to meet their needs and when this didn't happen they experienced a wider range of negative consequences.
- In some case studies, it was very clear that a customer was in financial difficulty. The customer wanted a timely tailored approach from the firm.
- Where a customer approached a firm for help and proactively shared information, this helped the firm recognise and respond to their needs.
- In some case studies, customers did not always feel comfortable disclosing information about their vulnerability, which resulted in them experiencing harm.

In this study, there was further evidence of the overlap between vulnerabilities.

The Financial Lives 2020 survey shows that drivers of vulnerability can overlap. 16% of the adult population (34% of those who are vulnerable) display 2 or more of the 4 drivers of vulnerability. However only 0.7% of the adult population display all 4 drivers (Financial Lives 2020: enhanced vulnerability algorithm).

Among the 21 people interviewed for this research:

- 5 displayed all 4 drivers of vulnerability – a negative life event, a health condition, low capability, and low resilience
- 7 displayed 3 of the 4 drivers of vulnerability
- just 4 had experienced a negative life event or had a health condition without displaying other characteristics of vulnerability.

This shows that where a customer contacts a firm about an issue that relates to one driver of vulnerability, there is a significant likelihood that some other drivers of vulnerability will also be present. In **case study 4**, when the customer called the bank, they identified both her financial difficulties and mental health problems and dealt with them appropriately.

Where consumers display more than one driver of vulnerability this can compound the harm they experience. For example, in **case study 10** the customer's health condition means she can no longer work and is unemployed. Her family now relies on her husband's income and has had to borrow money. In **case study 22** the customer's ability to keep up with household expenses has been made more difficult by her

accident as she has to pay for extra support. She has had to borrow money from family and friends. She is not confident to shop around using the internet because she was a victim of identity theft in the past.

**Where a customer contacted a firm about an issue involving a driver of vulnerability, they expected firms to respond appropriately. Some customers would have liked a tailored response to meet their needs. When this didn't happen, they experienced a wider range of harm.**

There were some interactions where the purpose of the interaction itself (to close a current account following a relative's death) suggested that the firm should immediately have recognised that the customer was vulnerable and responded accordingly. In this research, we found cases where the customer had experienced a bereavement, but the firm did not appear to respond to this.

In **case study 1** following the death of his father a few days before, a customer visited a bank branch to close his father's current account. He visited the branch 3 separate times and each time was expected to discuss his father's affairs openly in the branch in front of other customers. He expected the reason for his visiting the bank to have triggered a more sympathetic response.

“ Dad had just died but they couldn't care less about that. They were just interested in knowing where the money was coming from to cover the debt

#### **Case study 1**

There were other negative experiences during the various branch visits around incorrect and inappropriate information from staff. Administrative delays in closing the account led to it going overdrawn as regular payments continued to come out, and the bank informed the customer that he was liable for clearing the overdraft. He told them that he had been advised this was not correct. The case was then referred to a company that dealt with insolvency, and the debt was later written off so the customer did not have to repay it. Aside from the additional stress caused at what was a difficult time, one lasting impact was that this customer may avoid this particular firm in the future. In contrast, when he informed his father's motor finance company of his death, he found them very helpful and sympathetic. Their approach prevented further distress when he had to arrange for the car to be collected.


The customer's experience with closing a deceased relative's account in **case study 1** is directly contrasted with the customer's experience in **case study 2**. Following her husband's death, the customer needed to update the account information with the bank. She joined a regular queue in the branch, where she was approached by a branch representative and asked what service she required. When she mentioned the death of her husband, she was immediately offered an appointment with a specialist team to help her. This is an example of a firm adapting their processes to better support vulnerable consumers. During the meeting, she felt she was handled appropriately and everything was sorted out very easily and quickly, preventing any potential harms at what was a difficult time. The member of staff helped the customer by cancelling any direct debits that were no longer required, and also offered her details for future contact should any issues arise. The experience left her feeling positive about the firm and confident she could get specialist help again in the future if she needed it.

In these cases, the customers needed to share information about their recent bereavement. Bereavement is a negative life event that can happen to anyone at any time. Firms in these case studies were aware that the customers they dealt with were bereaved. However, in one example the firm failed to adapt their customer services to meet the needs of the vulnerable customer.

**In some case studies, it was clear that a customer was in financial difficulty. The customer wanted a tailored approach from the firm.**

Firms often have automatic processes, such as issuing warning letters and imposing administration charges, that are triggered when a customer follows a specific transaction, behaviour or account activity pattern. In some case studies, receiving this type of standard, impersonal communication from a firm caused increased anxiety.

There was evidence of this in **case study 3** where a customer who had been hospitalised with health issues missed payments on her credit card. When she received the initial arrears letter, she was too anxious to respond, so she ignored it and her situation worsened.

 I rung them and said I'd been in hospital and he said that if I had told them earlier, they could have put a stop on the interest, but they never told me that. If they were more forward in giving you this information it could've helped.

**Case study 3**

She had low levels of financial capability and resilience, which exacerbated her anxiety. She only proceeded to contact the firm after she received a third letter which mentioned the possibility of bailiffs becoming involved. When she contacted the firm, she was dealt with sympathetically. They explained to her that if she provided proof of her hospitalisation, the accumulation of interest on her credit card would be stopped, and a payment plan was then put in place to pay off the credit card. In this case study the firm showed forbearance in response to the needs of a vulnerable customer, although it is not clear at what point roll up interest was stopped. However, although the customer was satisfied with the outcome, she was not satisfied with the process.

She would have liked to have been contacted directly following the initial missed payment. More effective ways of communicating and providing information may have avoided the harm from her lack of knowledge about the product and finding information difficult to understand. When she received the letters, she did not understand her options, and that there was a clause covering serious illness meaning her interest would have been stopped.

**Where a customer approached a firm for help and proactively shared information, this helped the firm recognise and respond to their needs.**

When a customer made proactive contact with the firm and shared information, there was a clear opportunity for the firm to identify that they may have additional needs. There are examples from our interviews where frontline staff themselves identified drivers of vulnerability and offered the customer further specialist support. This delivered a positive outcome for the customer.

In **case study 4**, the customer was in financial difficulty as a result of her divorce, which affected her mental health. She was aware that payments were bouncing on her current account, so she contacted her bank to arrange an overdraft. When this was refused, the call handler noticed she was upset and transferred her to a specialist team. The representative in the specialist team listened and responded appropriately, establishing processes and alerts to prevent her incurring further charges, and providing tools to help manage her money. This intervention avoided further harms from occurring. The firm asked her permission to record the information about her situation so that they could take her vulnerability into account during future interactions.



I didn't get the overdraft, so I didn't get the result I wanted, but I still came away with a benefit which I wasn't aware of.

#### **Case study 4**

Even though specialist support was not required, the offer of further help gave the customer in **case study 6** the confidence to approach the firm in the future. Having reviewed his budgeting following a divorce, the customer had a simple requirement to change the dates on which he made his credit card payments. He wanted reassurance that he had set up the new dates correctly, so he called the bank and explained his situation. He was offered the support of a specialist team if he was having issues keeping up with payments. Although he declined this offer, he was told it was available should he need it in the future. This reduced the risk of potential harms such as struggling to cope managing money, and of getting into debt or arrears.

In these 2 examples, the firm initiating the offer of further relevant support has had a positive impact on the customers, in terms of increased confidence in managing their money and approaching financial services firms. These customers both said that awareness of the support that is available will help them avoid harm if they encounter financial difficulties in the future.

#### **In some case studies customers did not always feel comfortable giving information about their vulnerability, which resulted in them experiencing harm.**

There were examples where vulnerable customers were interacting with firms but did not think their circumstances were directly relevant or were likely to have any impact on the outcome. The customer in **case study 6** was very financially capable and had recently been diagnosed with cancer. He had not informed his bank about his health condition as he did not think it was relevant and he did not feel comfortable discussing it, given the diagnosis was recent. Before a hospital stay, he decided it was best to make a credit card payment earlier than he would normally do. He later discovered this payment took him beyond his arranged interest-free overdraft limit, so he incurred charges he had not budgeted for. When trying to find out why he had been charged, his health condition meant he preferred email communication, so he had no personal interaction with the bank. After several emails, the bank could still not explain why he had been charged or how the charges had been calculated. Given the impacts on his financial situation the customer became frustrated. After he contacted the general customer services team the bank did refund half of the charges after a month. He did not at any point volunteer details of his health condition, as he didn't feel it was relevant.



## 3 The value of sympathy

**In these case studies when vulnerable customers contacted firms and staff responded with sympathy, this had as much of an impact on their opinion of the interaction as when they received practical support. This chapter shows where sympathy has made a real difference between positive interactions and negative ones.**

### Summary

- **Vulnerable consumers are more likely to experience negative consequences. For the customers in these case studies, firms' responses during the interaction had a significant impact on how the customer felt.**
- **Where the customer felt they had a trusted relationship with the firm, the firm could better meet their long-term needs and also encouraged the customer to remain with the firm.**
- **Vulnerable customers approaching firms were already concerned or anxious about how their circumstances would affect the outcome of the interaction. It helped where frontline staff acknowledged this.**
- **Where the interaction was a direct result of the customer having health issues, staff built rapport by demonstrating understanding and showing genuine concern.**

**Vulnerable consumers are more likely to be susceptible to harm. The response the customers in our case studies received during the personal interaction had a significant impact on how they felt.**

Our case studies provide evidence that frontline staff showing genuine concern and understanding is an important first step to building a relationship and being able to deliver a positive outcome. Customers experienced better outcomes where staff responded appropriately to the customer's circumstances. This does not always happen, as shown in **case study 1** where the customer expected a more sympathetic response when talking to bank staff about closing the account of his recently deceased father.

Many of the research participants chose, or preferred, to interact directly with the firm through a phone call or branch visit. The nature of their requirement, which was often sensitive, meant they tended to feel personal contact was more appropriate and more likely to get effective results. Customer contact gave firms an opportunity to understand and respond to the customer's needs. Where the firm's representative took the time to listen to the customer's issues and showed sympathy, they built a rapport. The customer was more likely to share more information and make it easier for the firm to help them.

For example, a customer suffering from depression in **case study 8** approached his bank to discuss further credit options, given his financial difficulties from working reduced hours and having had a car insurance claim rejected. He was struggling to cope with managing money and was getting further into debt. He went to his bank branch in person as he had an established relationship with some staff members, so felt comfortable discussing his health issues. He would not have been comfortable discussing with other firms with whom he did not have an existing relationship. In his own words, the bank treated him as a person, not a number, and offered genuine sympathy and support, as well as a sensible lending solution that was manageable for

him. He was given an extended overdraft limit interest-free and a small loan, where he was advised to take the lowest amount possible to keep everything manageable. He was given an in-depth assessment of his situation and signposted to the Money Advice Service (now known as the Money & Pensions Service) and Citizens Advice if he needed any further help. In this example, the bank provided a personal tailored service, and signposted him to sources of further help, which meant the customer was better able to manage his money, and avoid further harm.

“ It had a positive effect...I was in a worse place before with my finances. I could see light at the end of the tunnel. It gave me more confidence as I was in a bit of state at that time.

**Case study 8**

**Where the customer felt they had a trusted relationship with the firm, the firm could better meet their long-term needs and also encouraged the customer to remain with the firm.**

If the customer had a positive interaction, which they remembered because the firm offered emotional as well as practical support, they generally expressed a feeling of long-term loyalty towards that firm. They felt that the firm took account of their needs and would do so again.

In **case study 9**, the customer has severe Crohn's disease and has faced financial difficulties because they couldn't work regular hours. Her previous bank had been unable to help her when some of her payments bounced. She also believed the firm asked her to close her account during a particularly difficult interaction in the branch. Following this, she went to open a new account in person at a different bank on her local high street. While in the branch, staff noticed her distress, and immediately passed her to someone who could help, and she explained her financial situation. She was able to open a basic account with the bank. She was put at ease simply by the fact the member of staff empathised with her by reassuring her that many people find themselves in a similar situation, as well as giving her practical support to manage her account more effectively. As a result, she knows there is someone at that bank branch who could help again if needed.

“ She [the manager] really put me at ease. It wasn't embarrassing chatting to her about finance and the difficulties I'd been through. She was very empathetic. She said everyone's been in a position before where they've struggled.

**Case study 9**

In this case, the positive interaction was in direct contrast to her previous negative experience, increasing the perceived benefit of remaining with her new bank. The interaction meant that she was able to access services, having been turned down by the previous bank, and was better able to manage her money.

**Vulnerable customers approaching firms were already concerned or anxious about how their circumstances would affect the outcome of the interaction. It helped where frontline staff acknowledged this.**

When customers had to share information about their health to take out a product or make a claim, they were often concerned about the impact of their health on accessing financial services, or being covered for an insurance claim.

This was the experience in **case study 10**. Here, a customer with several health issues, including Post-Traumatic Stress Disorder, which makes her more anxious when making decisions, was trying to find an affordable travel insurance product. She called several firms who refused to cover her or could only provide very expensive cover, which often cost more than the holiday itself. She was being offered a financial product at a price that she considered was too expensive for her. She describes these interactions as 'horrible' as the people she spoke to were not sympathetic and often very abrupt when they were unable to provide insurance for her. These experiences worsened her anxiety about shopping around. As a result, she delayed finding a policy for 3 weeks.

“ They were horrible on the phone. As soon as I started saying about my medical problems, they just cut me off. They didn't even say 'No, sorry. We can't.'... I was there for about five minutes thinking 'Have they put the phone down on me, or they had just gone that they're looking into something?' ... They put me off phoning back because I was thinking everybody had the same attitude.

#### **Case study 10**

Eventually she found a firm who not only offered her suitable and affordable cover but was 'personable' and 'human' on the phone. They had a friendly conversation and the call handler also provided his name, which put her at ease. The call handler gave her information in a way that was clear and that she understood, so she did not find the call confusing and difficult.

Vulnerable consumers had similar concerns when their financial situation changed. This was the situation for the customer in **case study 11**. This customer was anxious about his mortgage renewal after being made redundant 3 months before, and his family now relying on 1 rather than 2 incomes. He feared telling his mortgage firm his situation and he was concerned his mortgage repayments would increase beyond what he could afford. Rather than approaching the bank directly, he opted to contact a mortgage broker to advise on his options and had face-to-face meetings to discuss his situation in detail. The broker liaised with the current mortgage firm. The mortgage firm offered a new mortgage with a slightly higher interest rate but with more affordable repayments. The broker reassured the customer that this situation was quite common. He was still apprehensive but wanted to be open and honest about his situation. The broker was very reassuring and supported him through the process of securing a new mortgage deal.

#### **Where the interaction was a direct result of the customer having health problems, staff built rapport by showing genuine concern**

The customers in our case studies appreciated sensitivity around health issues. There are 2 examples where customers wanted to make an insurance claim and had very positive experiences. The customers attributed their good experience to call handlers who genuinely seemed to care, as well as their perception of the overall ease of the process.

In **case study 12**, the customer had suffered a heart attack, which resulted in her giving up work and getting into financial difficulties. Her health condition meant she had difficulty finding affordable insurance products. She made a claim on her critical illness cover policy which she had taken out 25 years earlier. As well as processing the claim quickly, the call handler said how sorry they were to hear about her illness and asked how she was feeling. The call handler was able to understand the medical terms the customer used when she talked about her conditions.

Similarly, in **case study 13** a customer with bowel cancer had to claim on his travel insurance as he had to cancel his holiday. The call handler demonstrated sympathy, saying they were really sorry to hear the customer had cancer and proceeded to ask about his diagnosis and how he was feeling. The customer was surprised with this level of care and the fact they seemed to really listen to him. His expectations were also surpassed when the claim went through in a matter of days and was not held up by the need for medical documents to be provided.

“ I had to tell them I had cancer. First of all their reaction was 'Really sorry to hear that. When were you diagnosed? What have you got? It didn't feel false, it felt genuine. They asked a few questions: 'How are you now?' 'How are you feeling?' I remember feeling 'wow, that doesn't [normally] happen'. I felt they were actually listening... it sticks with me.

**Case study 13**

## 4 The importance of empowered and knowledgeable staff

**Vulnerability can lead to consumers being susceptible to financial difficulty. In these case studies where staff had the appropriate knowledge, and were empowered to respond flexibly during an interaction, financial difficulty was avoided and the risk of further distress was reduced. This chapter explores the impact of empowered and knowledgeable staff on financial interactions.**

### Summary

- **Vulnerable customers in these case studies were not always clear about the options that the firm could offer them. Where staff were proactive in guiding them, it had a significant impact on the financial outcome of an interaction.**
- **Even where an 'ideal' solution for the customer could not be reached, in some examples customers felt that alternatives offered or signposting to further support, helped them avoid both monetary and non-monetary harm.**

**Vulnerable customers in these case studies were not always clear about the options that the firm could offer them. Where staff were proactive in guiding them, it had a significant impact on the financial outcome of an interaction.**

When consumers' experiences in these case studies led them to feel concerned about their financial situation, they needed practical as well as emotional support about their financial product. In these case studies, this relied upon staff being knowledgeable and empowered to respond flexibly to the needs of vulnerable customers.

The customer in **case study 14** had a positive experience when she approached her bank for help with her situation. Her bipolar disorder had led her to spend beyond what she could afford. Staff on the phone were able to put an immediate stop to her overdraft charges and they went further and refunded those she had incurred over the last year.

“ They were really understanding and told me I would get the money back in 2-3 days, and it was. I had nearly £400 put back in my account. They also put me in touch with another person to help me for the future. I was quite surprised - who wants to give you money back?

#### Case study 14

That staff were able to do this for her exceeded her expectations, as she acknowledged that she had overspent. They also helped her feel reassured that things would be okay and treated her 'like a friend' which contributed to the positive experience. By setting up some account restrictions, staff also helped her to avoid overdraft charges in the future, so reducing the risk of further harms from struggling to cope with managing money and getting further into debt or arrears.

The customer in **case study 15** was already concerned about her low income and lack of savings and was struggling to cope with managing money. Following a car accident where her car was written off, she was concerned about the financial impact and

wanted to be reassured that she would not have any additional excess to pay. She contacted the insurance company after the accident to make a claim. The call handler immediately tried to calm her and spoke slowly and clearly and explained the process. As well as reassuring her that she would be covered, showing understanding, they also explained that as she no longer needed car insurance, this could be cancelled. She would have no monthly payment, and they also refunded her most recent payment. This firm's proactivity on the product they were providing meant the customer was less likely to experience harm and reduced her anxiety about the situation.

“ They said they're stopping the insurance and when I get a new car, I start it up again. I said, 'Does that mean you're not covering me for the accident?' and they said, 'You're absolutely covered' but it would save me money and I got an insurance refund...

**Case study 15**

**Even where an 'ideal' solution for the customer could not be reached, in some examples customers felt that alternatives offered or signposting to further support reduced the risk of potential harm developing.**

As already shown in **case study 4** and **case study 9**, where customers dealt with a firm representative who was dedicated to dealing with their specific issues, they had the knowledge and capability to support them effectively. Even if the outcome of the interaction was not what the customer had hoped for, as in **case study 4**, providing alternative options resulted in the customer avoiding harm and feeling positive about the interaction.

In **case study 16** the bank told the customer that they could not help him and did not offer any alternative solutions. Following an accident at work, his finances became stretched and he was struggling to cope with managing money. There were restrictions on how much and what type of work he could do, so he wanted to take a payment holiday from his mortgage until his physical health improved. He arranged an appointment with an adviser in the bank branch. After an hour-long meeting, he was frustrated that no solution was available, and staff had to 'stick to their policies'. They did not present him with any other options that did not involve paying a substantial exit penalty from his current arrangement, which he could not afford. He was unhappy that the bank could not offer any flexibility to help him, despite his past financial history, being with them for 20 years and having equity in his house. He was not offered any alternative options or directed to any sources of support to better manage his money. The result was that he had to make lifestyle changes to save money and continue to afford his repayments, including selling his car and relying on his parents to help transport his children.

The customer in **case study 17** had a similar negative interaction when she struggled to meet payments with her car finance company. She found herself in financial difficulty because of her divorce and her ex-husband withdrawing financial support (referenced earlier in **case study 4**). In this interaction, following missed payments, the company contacted her by phone on many occasions. She explained the change in her circumstances and asked whether it was possible to extend the terms of her loan so as to reduce the monthly payments. On each occasion, her request was declined. As a result, she incurred charges for having to use her overdraft and believes the situation acted as a 'contributing factor' to her mental health problems.

## 5 Addressing communication needs

**Vulnerability may affect how easily someone understands information and presents communication challenges. This chapter shows that where these challenges were addressed in these case studies, consumers were able to access to appropriate products.**

### Summary

- In these case studies some vulnerable customers' situations meant they ignored an issue that worsened their financial position. This harm could develop even where firms' staff were empowered to respond positively.
- Vulnerable customers in these case studies tended to prefer a personal interaction such as telephone or face-to-face.
- Customers with health conditions or complex needs sometimes struggled to communicate the detail or the impact of their conditions when taking out or renewing a product. They wanted firms to be able to support them and help them reach suitable conclusions.
- The communication of information in an appropriate way was particularly important for the vulnerable customers in these case studies, who sometimes struggled to make decisions.

**In these case studies some vulnerable customers' situations meant they ignored an issue that worsened their financial position. This harm could develop even where firms' staff were empowered to respond positively.**

In **case study 19** and **case study 20** the customers were struggling with high interest loans they had taken out with specialist sub-prime firms.

The customer in **case study 19** was unemployed and had had her benefits stopped. She did not have any form of bank account. She was concerned that she would struggle to set one up once she has moved onto Universal Credit. She would need one so her benefits could be paid. She described herself as falling into debt because she had not wanted to deal with difficult financial situations. She had taken out a 'doorstep' loan and an agent from the loan company was visiting her regularly for payments. She became worried when she could no longer make the payments and was expecting to be taken to court.

“ Maybe they could have informed me and not leave me full of angst. They realised the minimum payment was trouble so why wait ... rather than leave me sitting here every week nervous that this wee man was coming to my door and having to say I can't do it

#### Case study 19

While friends told her not to make any loan repayments, she wanted to come to an arrangement. She informed the agent and received a letter from the company which agreed a new repayment amount, once she had shared proof of her outgoings. In this case, despite her fear of the outcome, the customer disclosed her circumstance, resulting in a manageable weekly payment that she was happy with.



In contrast the customer in **case study 20** ignored communications from the loan company, as he felt too ill to deal with the issue following a stroke and 6 weeks hospitalisation. When he finally felt he was able to deal with the situation, the firm took account of his position. They had a dedicated customer support team for dealing with people with health conditions which they told him to contact in future. This meant they were aware he was a vulnerable customer for future interactions. They made adjustments to freeze his repayments temporarily and extended the repayment period, although in the long-term he was financially worse off as a result.

**Vulnerable customers in these case studies tended to prefer a personal interaction such as telephone or face-to-face.**

Many of our case studies feature customers who chose to interact directly with the firm through a phone call or branch visit, due to the sensitive and complex nature of their requirements. The customers in these case studies felt this gave staff more scope to gain a thorough understanding of their issues or needs, and adapt their approach. This was the case in **case study 4** and **case study 9**, when staff recognised and acted upon the customers' distress.

However, there were examples when customers preferred more remote interaction, because of their circumstances at the time. The customer in **case study 6** preferred to communicate via email through his banking app when he was questioning his overdraft payments while he was ill and did not want to interact personally.

“ I can do everything within these four walls: computer; tablet; phone and if I have a real question, we can ask it over the phone. It has made my life easier because I do not have to go into town.

**Case study 21**

In **case study 21** the customer is a 70-year-old lady who is partially disabled and so struggled to get to a bank branch. She was pleasantly surprised when her bank proactively contacted her to offer her an account upgrade, giving her better options to communicate with her bank. She had made many calls to the bank, due to difficulty getting to her branch, and believes the bank realised this, hence the offer. The upgraded account came with many benefits as well as a freephone number which helps her get through to someone very quickly, as she is not happy doing everything online.

**Customers with health conditions or complex needs sometimes struggled to communicate the detail or the impact of their conditions when taking out or renewing a product. They wanted firms to be able to support them and help them reach suitable conclusions.**

Vulnerable customers may have communication challenges when trying to explain their issues and needs, due to physical or emotional problems. They may be affected because of stress from their current experience or struggle given the complexity of their conditions. This was the case for the customer in **case study 22** who was diabetic with borderline glaucoma. She was attempting to renew her car insurance by phone and had problems communicating to the call handler that her GP had said her glaucoma would not affect her driving. She became frustrated and, as a result, ended the call without successfully renewing her car insurance. Her son completed the task – and got a cheaper deal for her – by phoning on her behalf a few days later. Sometime after renewing her insurance she was injured in an accident. Because of her experiences in trying to renew her car insurance before, she has not told her insurer



that she is unable to drive. She is continuing to make her monthly insurance payments, despite the product not being needed while she recovers from the accident.

In **case study 10** the customer was looking for travel insurance and the starting point was completing an online form which included medical questions. She selected that she had a heart condition and a further drop-down menu appeared which she struggled to understand how to answer, because of the complex medical terms used. Given her health conditions, she had to call for a quotation during which she had a further negative experience from having to repeatedly explain her health conditions.

**Communicating information in an appropriate way was particularly important for the vulnerable customers in these case studies, who sometimes struggled to make decisions.**

A customer's vulnerable situation may mean they have difficulty understanding numbers, or struggle to follow instructions, making it harder for them to interact with financial service firms. This makes them more reliant on the firm to give them information in a way that is suitable for them. In **case study 7**, the consumer needed more than one interaction to find out whether the insurance policies covered what he needed when he was seeking to make a claim.

As well as increased pressure when having to make decisions, in some case studies further distress was caused where customers felt they were being 'sold to'. Even in **case study 22** where the customer was experiencing challenges making herself understood, she recalls being transferred to someone who was trying to sell her add-on insurance products. The loan customer in **case study 20** also found he was being sent weekly emails about additional lending, which he felt was inappropriate given his repayment difficulties.

In contrast, **case study 23** is an example where the customer felt supported by the firm when it provided him with product information in an impartial way to enable them to make their own decision. This consumer was considering equity release, given a series of health conditions and his inability to work. The firm informed him about the different options as well as associated fees, while remaining neutral. Following some additional online research, the customer concluded that the product was not suitable for him. The customer felt that the firm had helped him reach an outcome that he felt was appropriate for him and he experienced no harm.

“ They weren't pushing me in any one direction at all. I was happy with the level of integrity. You can always spot a person that's trying to flog you something... They explained the lifetime, the reversion mortgage, the equity release...

**Case study 23**

## 6 Next steps

This research provides insight into the experiences of a small number of the millions of vulnerable consumers in the UK. These experiences cover their day to day engagements with financial service firms for a range of different products.

For the consumers in these case studies, it shows the importance of firms recognising their vulnerability and responding accordingly. In many examples, where customers were helped sympathetically by staff who were empowered to be flexible to specific circumstances, the consumers felt that the harms associated with being vulnerable were minimised or avoided. Some examples demonstrate the effectiveness of tailoring communications so that consumers with low capability were able to understand the information.

While some of these examples capture good experiences, not all of those interviewed had a positive experience. There is clearly much more that can be done to improve outcomes for vulnerable consumers. The different experiences faced by vulnerable consumers in similar situations also highlights the variability in approaches across financial services.

Protecting vulnerable consumers is a key priority for us. We want to see firms explicitly embedding the fair treatment of vulnerable consumers in their culture. Where we find that firms are not doing enough to ensure that consumers are treated fairly, we will take action. We expect firms to take particular care to ensure that vulnerable consumers are treated fairly as they may be more likely to experience harm.

We continue our work to help make clear what, in our view, firms should do to ensure that vulnerable consumers are treated fairly. The second consultation on the revised draft Guidance for firms on the fair treatment of vulnerable consumers is published alongside this research. Longer term we will continue to monitor the prevalence of drivers of vulnerability through our range of work including the Financial Lives survey. We are also conducting further consumer research to understand the evolving impacts of the coronavirus pandemic on vulnerable consumers. The results of this work will be available in the winter.

