

**Vulnerable Customers**

# **A Guide to Dealing with Vulnerable Customers**

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## Introduction

### What is a Vulnerable Customer?

The FCA definition of a Vulnerable Customer is:

“Someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care.”

Protecting vulnerable customer is a key priority for a firm. Vulnerable consumers should experience outcomes that are as good as those for other consumers. The fair treatment of vulnerable consumers must be embedded into a firm’s culture, policies, and processes throughout the whole consumer journey.

With vulnerable consumers, there are factors that limit their ability to make reasonable decisions and choices. So, the level of care that is appropriate for these consumers will be different from that for others.

It is likely that all individuals will be deemed to be vulnerable at some point during their lives. The Covid Pandemic has provided a scenario where all individuals are potentially vulnerable and this should be taken into consideration with any interaction with a customer. Vulnerabilities may be permanent, long lasting or temporary.

## Understanding the Needs of Vulnerable Customers

### Risk of Vulnerability

We have identified 4 key drivers which may increase the risk of customer vulnerability:

- **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 emotional or financial 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

## Characteristics of Vulnerability

Characteristics of the 4 key drivers are shown in the table below. These may well overlap and become more complex.

HEALTH	LIFE EVENTS	RESILIENCE	CAPABILITY
Physical disability	Retirement	Inadequate or erratic income	Low knowledge or confidence in managing finance
Short- or long-term illness	Bereavement	Over indebtedness	Poor literacy / numeracy skills
Hearing or visual impairment	Income shock	Low savings	Poor English language
Mental health condition	Relationship Breakdown	Low emotional resilience	Poor digital skills
Addiction	Domestic abuse (including economic control)		Learning difficulties
Low mental capacity	Caring responsibility		No or low access to help and support
	Other circumstances – care/ asylum/human trafficking, slavery, convictions		

## Examples of Harm and Disadvantage

Firms should be aware of certain signs that a customer is potentially vulnerable and some of the behavioural traits.

These include:

- heightened stress levels due to difficult, or different, personal circumstances
- increasing time pressures due to additional responsibilities
- increasing pre-occupation ('brain is elsewhere') limiting their ability to manage.
- processing power and ability decreasing due to competing pressures, for example due to the side effects, or emotional toll, of receiving medical treatment.
- lack of perspective especially when experiencing something for the first time, not fully understanding the broader implications; being unable to make comparisons, or see the 'bigger picture'
- changing attitudes towards taking risks; people often become more 'reckless' and/ or careless when under stress.

## Skills and Staff Capability

Under TCF outcome 6, staff must ensure that vulnerable clients are not presented with barriers preventing them from obtaining advice and transacting business. Staff should take appropriate steps to assist vulnerable clients. This may include:

1. Recommend that they are accompanied at interviews.
2. Conduct more meetings than usual to ensure understanding is fully confirmed and demonstrate appropriate care of this type of client.
3. Provide documentation in bigger print or change the style of correspondence to suit the understanding of the client (Braille, larger print etc.)
4. Provide them with advice to seek further help.
5. Refer them to a debt agency such as Citizens Advice Bureau

It is essential that a Vulnerable Client Policy is embedded throughout the firm and for all staff to be suitably trained to ensure they understand the needs of Vulnerable Customers and the part they play within the firm that they can assist.

Senior Management within a firm should help create a firm culture that prioritises the fair treatment of vulnerable consumers. All staff should have the relevant processes and systems in place to help them carry out their role and protect vulnerable consumers.

In order to assist staff understanding, annual staff training on vulnerable consumers should be undertaken so that all staff can recognise vulnerabilities and respond appropriately to ensure they are treated fairly.

Staff should feel trained and equipped sufficiently to encourage client disclosure where they see clear indicators of vulnerability but are not to be expected to go any further than identifying vulnerability.

Staff should know when outside support should be sought in a requirement for additional support and information. Practical information should be on hand to assist, such as information in relation to charities or support of a more practical nature outside of financial services.

Staff may come across challenging and emotional circumstances. They may require practical and emotional support, which should be available to them. This can be provided in a number of ways such as time out being provided after a difficult call/conversation, self-help material, group or individual discussions or forums.

We recommend that firms and consumers be scam aware and where they are able to access the internet, visit the Friends Against Scams website at [www.friendsagainstscams.org.uk](http://www.friendsagainstscams.org.uk) where a wealth of information can be found. Friends Against Scams is a National Trading Standards initiative, which aims to protect and prevent people from becoming victims of scams.

## Signs and phrases to actively look out for when engaging with customers

Changes in payment behaviour such as:

- payments stopping suddenly
- late or missed payments
- regular unarranged overdrafts and charges
- unusual activity on an account

Phrases such as:

- I can't pay
- I'm having trouble paying
- mention of breathing space/debt moratorium or contacting a debt advisor
- I can't read my bill
- I can't understand the letter you sent me
- I can't hold on all day
- I hate these press buttons

Staff could also be on the lookout for:

- shortness of breath or signs of agitation
- asking for repetition (a sign that the customer is not retaining information)
- signs that the consumer has not understood or signs of confusion
- mention of medication

# Useful Models for handling Vulnerable Situations

## TEXAS

This model is used to help all frontline staff dealing with customers in any way to manage any disclosures of vulnerability effectively and to ensure that an effective working relationship is put in place. It was primarily designed around Mental Health, however could be used in different circumstances more widely within vulnerability.

- **Thank them** (what they have told you could be useful for everyone involved)
  - “Thanks for telling me, as it will help us to deal with your account better”
- **Explain** how their information will be used
  - “Let me just explain how we’ll use that information, so that you know”
  - This includes why the information is collected, how it will be used to help decision making and who the data will be shared with or disclosed to
- **eXplicit consent**
  - Ask the customer for their permission to use their information in this way
- **Ask three questions** (these will help you understand the situation better)
  - Does your mental health problem make it difficult for you to repay debt?
  - Does your mental health problem affect your ability to deal or communicate with us? If so, how?
  - Does anyone need to help you manage your finances such as a carer or relative? If so, how?
- **Signpost to internal or external help** (where this is appropriate)
  - At this point, staff and organisations might:
    - Need to internally refer the individual to a specialist team/staff member in their organization
    - Signpost to an external organisation such as:
      - A debt advice agency for help with multiple debts
      - NHS 111 for non-emergency help with a mental health problem (NHS Direct Wales on 0845 4647)
      - Health and Social Care in NI at [www.hscni.net](http://www.hscni.net)
      - The Samaritans (116 123) for suicidal or despairing people

## IDEA

This model can be used by specialist staff to help structure and manage more in-depth conversations and allow the staff member to ask the right questions and identify relevant information.

- **Impact** - staff should ask what the mental health problem either stops the customer doing in relation to their financial situation, or what it makes harder for them to do. This will help provide insight into both the severity of the condition, and its consequences.
- **Duration** – staff should discuss how long the customer has been living with the reported mental health problem, as the duration of different conditions will vary. This can inform decisions about the amount of time someone needs to be given to retake control of their situation.
- **Episodes** – some people will experience more than one episode of poor mental health in their lives. Creditors will need to take such fluctuating conditions into account in their decision making.
- **Assistance** – creditors should consider whether the customer has been able to get any care, help, support or treatment for their condition. This may help in relation to collecting medical evidence.

## CARERS

This drill was developed to assist with handling disclosures from carers to ensure that helpful information is not lost due to staff concerns about data protection.

- **Check for authority**
  - if the carer can supply evidence of their authority to act on the customer's behalf, a more detailed discussion can be arranged once this is received
  - if the carer cannot supply this evidence, or needs to share information about the customer now, the following steps should be taken:
- **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 any clients. Carers will need to give their consent for this.
- **Record the carer's observations**, listening carefully, and ensuring:



- you have checked why the customer is unable to speak directly with the creditor about these issues (is there, for example, a communication issue?)
- you are clear how the customer's mental health problem affects their ability to repay
- you have confirmed with the carer what information has been recorded, and how long these unverified observations will be held on file while they are being checked.
- **Summarise the available next steps, which might include:**
  - you (or a colleague) speaking with the customer concerned to establish if there is a problem, including checking the unverified observations made by the carer
  - the carer discussing with the customer a potential mandate to act on their behalf
  - the carer and customer working together to collect supporting medical evidence

## Advising clients

The firm should have measures to distinguish between **actually vulnerable** and **potentially vulnerable** customers. There are three groups of people, the above two sections, plus the **non-vulnerable**. The firm will assess all customers into one of these three groups, when taking them on board, and this information will remain on the customer file for auditing purposes.

The firm should have measures to understand whether a customer is vulnerable or not. A firm should interview all consumers very carefully, as well as assessing their requirements.

Where there is an ongoing relationship, a consumer's vulnerability should be assessed at each client meeting where any advice is provided or decisions are to be made. We also recommend an accompanied meeting/interview, with the inclusion of a family member or trusted representative should this be required, and where financial advice is involved, should always recommend discussing this with a family member or trusted representative to assist in the understanding and decision-making process.

Ongoing assessment is crucial because vulnerabilities are not always permanent and even those that are, the underlying issues and customer situation may change. Assessing every client at every advice or decision-making point ensures that clients are treated fairly and that they are dealt with for their best interests. It is an essential part of "Know Your Client" information.

A client may not wish to have someone else present at the meetings, but have someone copied in on the Suitability Report, maybe a family member, a friend, solicitor or accountant. They may wish you to call and discuss the recommendation with a family member after the meeting.

The client may be adamant that they do not want anyone else to know about their finances, however this would need to be documented thoroughly in the fact find, file notes and the Suitability Report. For many clients this is fine, however if the client would be deemed vulnerable, not capable of understanding your recommendation, it would be difficult to proceed, as it would not be in the client's or your best interests.

Where a firm believes that the client is actually vulnerable, unable to make their own decisions and has no additional assistance to enhance their understanding and decision making, they should not proceed any further with any advice or provision of services. It should be ensured that all reasonable steps have been taken to help the customer make a decision before regarding a client as lacking capacity.

Vulnerable consumers should be given additional time to make a decision on any recommendations made and never be pressurised into a decision.

We appreciate that as your clients get older you may not feel comfortable asking them, after many years of meeting with you, whether they would want a 3rd party present. Some advisers feel that their clients would be offended, however like most things it is how you explain it to the client.

Some clients may initially appear to be vulnerable based upon their age, physical disability, or other reason, however based upon their activities can be shown to be not vulnerable at all, e.g. an elderly client may be actively involved in a local club where he is the treasurer. Again, this would need to be documented in the Fact Find and the Suitability Report.

Clients should be encouraged to stay in regular contact with the firm and to inform the firm of any changes in their requirements. Firms should also proactively keep in contact with all clients where there is an ongoing agreement and should ensure that they continue to meet each individual's needs and ensure they are treated fairly.

## Powers of Attorney

Some clients may have a Power of Attorney in place as they do not make their own financial decisions. Firms should ensure that they take account of the a Guide on Power of Attorney produced for regulated firms by the Office of the Public Guardian (OPG) and The UK Regulators Network (UKRN). This is available at <https://www.ukrn.org.uk/publications/joint-ukrn-opg-guide-to-power-of-attorney/>

## Communications

Firms should ensure communication throughout the entire service provided and any communication should be delivered in a clear, consistent and easy to understand manner. This includes:

- Marketing
- Point of Sale
- Post-Contractual Information
- Information about changes to the product or service
- Complaints processes

Whenever contact with the client is made, these need to be designed in an inclusive way so that they are clear, easy to understand, jargon free, complex terms are explained and meet the needs of both the client and the adviser.

Advisers need to offer a choice of ways in which clients can communicate with them. This could relate to the method of communication (e.g. face-to-face, phone, post, email, text, web chat, audio, braille, video relay, Type Talk or text relay, interpreting services) or the service delivery (e.g. agreement to talk at a particular time of day depending on carers and medication).

A firm should record any specific requests from customers to assist in meeting their needs to ensure that they continue to meet a customer's requirements in any ongoing contact, such as in the event of a client requesting the adviser talk to their spouse or son/daughter or have communications in Large Print. Clients should never have the need to make the request more than once. This will ensure that clients are dealt with promptly, consistently and fairly.

## Compliance Oversight

IFAC Compliance routinely checks any case that is entered onto BAT where the client is over age 75 or you have indicated that they are a potentially vulnerable client. This is done on a 'post-sale' basis. It would be considered Best Practice to have any advice pre-sale checked for those deemed to be actually vulnerable and have the relevant assistance.

The above applies, unless you have gained the 'Vulnerable Client' licence, details of this licence are given later in this guidance. In these cases we would expect you to have documented in the Fact Find or Suitability Report (preferably both) the client's response to the offer of having a 3rd party present at the meetings.

## Monitoring and Evaluation

Firms should regularly monitor the services on offer in relation to Vulnerable Customers and look at the outcomes for Vulnerable Customer as compared to other customers. This should be monitored in line with TCF requirements. It is essential to evaluate whether the processes are working well and whether any changes and improvements are required to ensure that the firm is meeting its requirements and customers are receiving a fair outcome.

A firm should assess their services taking into account the following:

- Areas where the firm do not fully understand vulnerable customers' needs
- The performance of staff has led to poor outcomes for vulnerable customers
- Products or services unintentionally cause harm to vulnerable customers
- Customer Service processes are not meeting vulnerable customers' needs

Areas of the process should be considered in monitoring the effectiveness of a firm's systems and controls:

- Decision Making
  - Are products/services meeting the needs of customers?
  - Is sufficient information provided to customers in order to make a decision?
- Engagement throughout the customer journey
  - Are Customer Service and Communications meeting the needs of Vulnerable Customers?
  - Are customers experiencing any difficulties in communicating with the firm?
- Disclosing changes in circumstances/needs
  - Are vulnerable customers supported in being able to provide information about their circumstances or needs to the firm?
- Suitable Products
  - Are customers able to access products that are suitable to their needs?

## Examples of how a firm can put the monitoring and evaluation into practice

- Use Complaints data
- Use feedback from customers
- Mystery Shopping
- Auditing

- Using Vulnerable Customer insights from third parties such as Charities and Consumer bodies
- Staff feedback
- Reviewing processes and policies

## Management Information

Firms should have relevant Management Information to demonstrate the consistent fair treatment of customers both for the firm and the regulator.

The recording of this information should be on an ongoing and consistent basis and should be reviewed as such.

The MI should be useful and allow the firm to understand both the experience and outcomes of vulnerable customers.

Firms should take action where poor outcomes for vulnerable customers are seen and should ensure that improvements are made.

Types of MI a firm may wish to collect are:

- Business persistence
  - analysis of customer retention records – e.g. claims and cancellation rates and details of why customers leave. This may flag where poor treatment is contributing to high turnover of customers.
- Distribution of legacy products/pricing and fees and charges
  - review of whether consumers with characteristics of vulnerability (where known) are more likely to incur particular fees and charges or are receiving rates not as good as other customers.
- Behavioural insights
  - consumer interactions and drop off rates; use of different communications channels including digital; consumer testing of financial promotions. This may flag where policies, processes and systems need to be improved (e.g. where there are barriers to consumer engagement or understanding).
- Additional support
  - contact rates with vulnerability teams, referrals to and feedback from specialist services.
- Training and competence records
  - analysis of records of staff training, including remedial actions where staff knowledge or actions were found to be below expectations.
- File reviews

- reviewing customer files and monitoring calls to check for errors and assess if customers were treated fairly (this is particularly useful for sales processes).
- Customer feedback
  - using formal and informal feedback from customers to identify trends and areas for improvement (e.g. complaints and comments made to the firm but also comments and complaints on social media).
- Numbers of complaints
  - trends in numbers of complaints involving vulnerable customers in comparison to other customers.
- Complaint root cause analysis
  - investigating complaints fully to understand the cause of customer complaints, not just dealing with the symptoms.
- Compliance reports
  - review compliance reports to check if standards are being met in terms of treating customers fairly.