

Recognising the signs



of a vulnerable customer

The need to care for vulnerable customers

In 2015, the Financial Conduct Authority (FCA) challenged the financial services industry to improve their dealings with vulnerable customers. Their 'Occasional Paper on Consumer Vulnerability' drew attention to the need to protect customers in vulnerable circumstances and kick-started discussions on how the regulator and industry can work together to address issues around vulnerability.

In light of the report, we've collected information and advice to help you understand what a vulnerable customer is and the best ways to treat them.

What is a vulnerable customer?

The Financial Conduct Authority defines a vulnerable customer as "someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care."

The FCA expects firms to treat customers fairly when they are dealing with people with vulnerable circumstances.

What factors affect vulnerability?

Anyone can become vulnerable at any time and it can be caused or exacerbated by the actions or processes of a firm.

The main factors indicating vulnerability include:

- **age** – young people are typically considered 'inexperienced' while older generations may be facing the onset of ill-health, as well as the challenges of being less technologically able
- **health** – illness, whether physical, mental, severe or long-term, makes customers more vulnerable
- **personal circumstances** – factors such as financial difficulties, coping with bereavement, caring responsibilities and low numeracy, literacy or English language skills can also increase vulnerability.

- **Over 40,000** people under the age of 65 have dementia in the UK.
- Every year **one in four** adults experience at least one mental disorder.
- **Every two minutes** someone in the UK is diagnosed with cancer.

Understanding **detriment**

There are three main types of detriment that businesses can inadvertently cause to vulnerable customers:

FINANCIAL

This could arise from fees and charges or inappropriate products leading to sub-optimal or reduced choices, and higher prices.

EXCLUSIONARY

This is when customers are unable to access services or get the support they need because they fall outside of regular processes. For example, self-exclusion due to frustration from numerous handoffs before getting the support needed.

EMOTIONAL

Distress and emotional detriment will also be experienced by a customer who has been disadvantaged in one of the ways just outlined. Feeling powerless and ignored is a potent emotion. This can cause stress, embarrassment and anxiety, which can exacerbate existing detriment.

How might **I be causing** detriment?

Your policy

- Many firms lack an over-arching strategy or policy on consumer vulnerability.

Your products

- Inflexible products and services that are designed for a 'standardised perfect customer' often mean vulnerable customers are not able to receive a flexible tailored response. Plus product information can be complex and customer communications confusing.

The systems you use

- Detriment can be caused by failure of internal systems, where you fail to communicate and connect information internally, or interfaces or channels of communication that are not inclusive, such as increasing automation and use of call centres.

Implementing strategies

- Frontline staff that are not aware of or don't use policies or strategies can cause problems, which could be due to ineffective training to identify and deal with vulnerable customers. On the other hand, inaccurate or over-zealous application of rules, such as those relating to data protection, can also prevent firms from meeting the needs of vulnerable customers.

How do I recognise and help a vulnerable customer?

The FCA expects firms to be able to spot a vulnerable customer when they provide personal details during a call or in customer correspondence, and to respond appropriately to this information. They list some of the examples of positive approaches firms take in the paper, including:

- staff that have emotional intelligence and show empathy
- spotting triggers or clues to vulnerability such as the mention of depression, illness, treatment or bereavement
- collaboration with the advice and charity sector
- having skilled customer service staff that are able to apply discretion or adapt the existing process where appropriate.

We recommend you assess vulnerability by considering the following questions:

1. Has something happened to the customer? Are they in financial shock, a state of bereavement or the victim of fraud?
2. What existing factors are there? Are they chronically ill or living on their overdraft, or do they have a poor understanding of finances?
3. How is the customer behaving – does it seem right? Are they confused or nervous, or do they appear very stressed?
4. What action does the customer want to take or need to do? For example, do they want to withdraw an abnormally large amount of money or delegate authority?

How can I help?

We suggest the following ways to help and support vulnerable customers.

Empathetic customer service

- Seek to respond to the individual needs of a customer in vulnerable circumstances.
- Take time to understand the reasons behind any difficulties the customer may be facing, such as job loss, illness, divorce, or learning difficulties, in order to understand what the best option or outcome for the customer is.
- Show understanding and empathy and check the customer has understood.
- Understand how products and services can cause and exacerbate customer detriment, looking at financial, exclusionary and emotional detriment.
- Understand what impact the organisation has on a customer when it makes changes, as well as the impact a change in customer circumstance has on their ability to fulfil their needs.
- Aim to eliminate the cause of detriment or mitigate the impact.
- If you can't help a customer, make sure they understand what alternative options are available to them – if appropriate, refer them to another organisation that can help.
- Develop relationships with relevant organisations and establish referral schemes and handoffs.
- Monitor the effectiveness of your referral schemes to make sure they are being used in the right way.



Where can I find out more?

You can read the full FCA Occasional Paper at [fca.org.uk/news/occasional-paper-no-8](https://www.fca.org.uk/news/occasional-paper-no-8)

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