Association of British Insurers

ABI Long term Savings

Addressing customer vulnerability:
A guide to identifying and supporting vulnerable customers in the long term savings market

2017

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Contents

About the ABI

The Association of British Insurers is the voice of the UK's world leading insurance and long term savings industry. A productive, inclusive and thriving sector, we are an industry that provides peace of mind to households and businesses across the UK and powers the growth of local and regional economies by enabling trade, risk taking, investment and innovation.

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Objective

This good practice guide is designed to help firms operating in the long term savings market better understand, identify and support customers who may be vulnerable, to ensure all customers are supported through the whole customer journey.

Executive Summary

Retirement can be complex for everyone. Freedom and choice in pensions carries risks for all customers, not least the risk of running out of money, as well as the ongoing risk of fraud and scams. Part of the challenge for industry and policy-makers in this market is to better understand the customer circumstances that create sufficient risk or vulnerability to require additional support.

Across financial services, it is essential to understand how customers might be vulnerable and vulnerable to what, before determining what support is needed, and from whom. Circumstances that might categorise someone as vulnerable can be temporary or sporadic states. Customers may not know they are vulnerable or be forthcoming in disclosing what can be very personal information, making it very difficult to identify that someone is vulnerable and to determine the appropriate response.

The ABI believes that to improve or introduce new processes for firms operating in the long term savings market, it is important to have a common understanding of what the best approaches to dealing with vulnerability are, which will in turn encourage the exchange of good practices from both inside and outside the industry. As the FCA's Occasional Paper No. 8 on vulnerability (OP8) states, "the sharing of principles and good practice across all financial services is likely to lead to better outcomes"[1]. We hope the guide achieves this, by building on previous initiatives and by offering a view of the unique challenges and opportunities faced by firms and their customers in the long term savings market.

RECOMMENDATIONS

1. Firms will implement a vulnerability policy or strategy, if not already present, by January 2018. If one is already in place, firms will review and ensure their internal policies are fit for purpose based on the principles of this guide.
2. Firms commit to providing regular training to all relevant staff and will continue to raise awareness of vulnerability with colleagues across the business.
3. Firms continue to share examples of good practice through the ABI, to ensure the industry and its customers benefit from high levels of support, and therefore the guide will be kept continually under review.

1 FCA, 2015, Occasional Paper No. 8: Consumer Vulnerability https://www.fca.org.uk/publication/occasional-papers/occasional-paper-8.pdf

Background

The question of how best to support vulnerable customers is an issue of continuing importance in all sectors. The period since the financial crisis of 2008 saw increased focus on how all businesses treat customers, but the publication of the OP8 was the first regulatory intervention to require financial services to reflect on current approaches to addressing vulnerability. Published on 23 February 2015, OP8 aims to broaden understanding and stimulate interest and debate around vulnerability, and to provide practical help and resources to firms in developing and implementing a vulnerability strategy. Although OP8 focuses on vulnerable consumers in the context of consumer credit, the Paper's themes have a much wider application to other markets and products.

OP8 highlighted four key problem areas that the FCA identified as being present at every stage, "from high-level policy, through system design, to the products that are available and ways that staff implement policies and sell products":

- **Policy**: lack of overarching vulnerability policy or strategy; stringent fraud prevention approaches that do not allow flexibility, even for legitimate third-party requests.
- **Systems**: poorly functioning systems that do not encourage joined-up information sharing or flagging; use of automation and online channels that may inhibit the identification of vulnerability.
- **Products**: complex and confusing communications; inflexible products designed 'for the average customer'; limitations around authorising third parties on behalf of customers.
- **Implementation**: gaps in staff training practices or lack of expertise; inconsistent customer service; lack of empathy; inconsistent interpretations of data protection measures around disclosure; inflexible arrangements for temporary delegation; potentially exploitative sales practices.

OP8 outlines a list of key themes for firms to explore in order to improve outcomes for all customers, but which will be particularly beneficial for vulnerable customers:

- the adoption of a consistent approach to vulnerability embedded across all operations;
- all relevant staff must be aware of the policy;
- ongoing evaluation of the effectiveness of a vulnerability strategy;
- frontline staff are adequately trained to facilitate sometimes difficult conversations with consumers and know where to find internal and external expertise;
- flexibility in the application of terms and conditions of products and services;
- an efficient process for referring consumers on to specialist teams;
- good policies and practice in handling disclosure or communication needs of consumers, recording and acting on them;
- clear, simple information and explanation throughout the product cycle; and,
- policies are not applied in an overzealous manner which can create problems for consumers.

In response, many sectors have since made positive strides in how they support all customers, particularly those who are potentially vulnerable. A prominent example of this is the Vulnerability Taskforce, led by the British Bankers' Association (BBA), which produced its *Improving outcomes for customers in vulnerable circumstances* report[2]. Similarly, the ABI produced with the British Insurance Brokers' Association (BIBA) a Code of Good Practice regarding support for potentially vulnerable motor and household customers at renewal[3].

Over the same period, developments in the retirement market have created new challenges for all customers; challenges that may be more pronounced for those who are vulnerable. The introduction of pension flexibility has added complexity to decisions about when and how to access a pension, and which provider or investment options to choose. With this unprecedented flexibility, the new retirement landscape means that more consumers will make decisions about investments and withdrawals into their 70s and 80s. Consequently there is a need for a focus on how vulnerable customers may, by nature, have alternative experiences or require alternative means of support.

Two years on from OP8, vulnerability remains high on the regulatory and political agenda, with the recent publication of the FCA's Ageing Population Strategy and the FCA Mission Review – which considers vulnerability within its future regulatory approach – as well as the House of Lord's Financial Exclusion Committee[4], which raises some important issues for all financial and utility services. As the ABI stated in its response to the Mission Review consultation, we believe that taken by itself, regulatory action cannot deliver a good outcome for the vulnerable in society or for the excluded, and a joined up approach with other Government authorities is required.

We look forward to engaging with policymakers on the issues relevant to providers and customers in the long term savings market, particularly regarding the overarching theme identified throughout this piece of work about the occasional 'rigidity' of the existing legislative and regulatory frameworks. These are rightly there to protect consumers, but can sometimes hinder firms in how they support vulnerable customers.

2 BBA: Improving outcomes for customers in vulnerable circumstances
https://www.bba.org.uk/publication/bba-reports/improving-outcomes-for-customers-in-vulnerable-circumstances/

3 ABI & BIBA Code of Good Practice regarding support for potentially vulnerable motor and household customers at renewal:
https://www.abi.org.uk/news/news-articles/2016/01/abi-and-biba-launch-industry-code-of-good-practice-to-help-vulnerable-customers/

4 Select Committee on Financial Exclusion: Tackling financial exclusion: A country that works for everyone?
https://www.publications.parliament.uk/pa/ld201617/ldselect/ldfinexcl/132/13202.htm

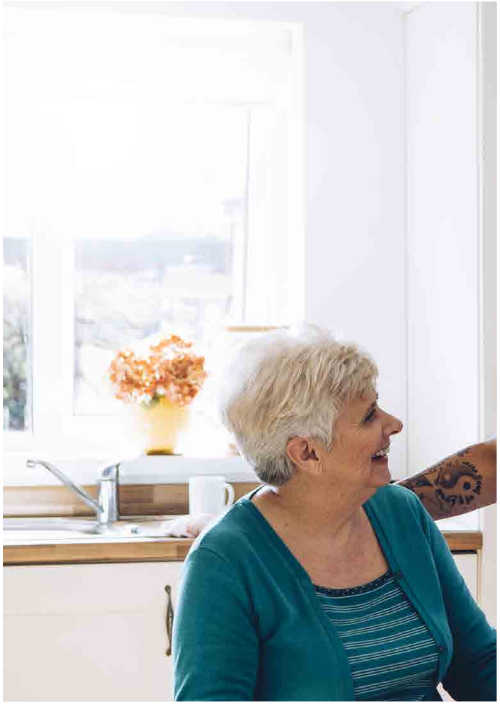
The Guide

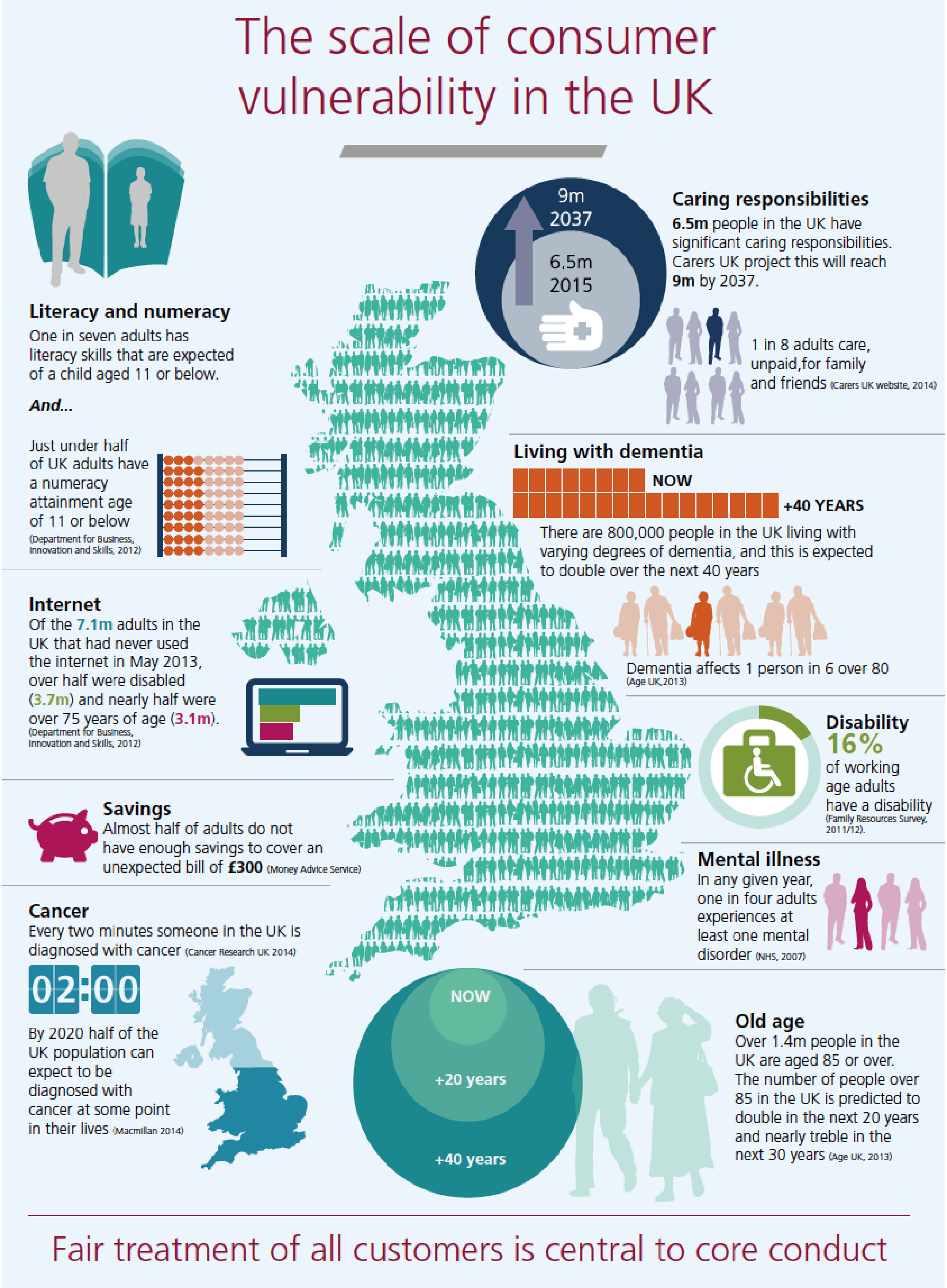
Status & Scope

This guide sets out principles, good practice and case studies to help long term savings firms understand how they can better identify and support vulnerable customers, both at the point of purchase and throughout the life of the product.

The guide is not limited to a set of specific products, as it could be applied to other cohorts of a firm's client base or touchpoints in a person's life. This guide does not apply to firms whose clients are institutional investors.

It is not intended to address any legal, regulatory or other responsibilities of firms, who will need to consider these in addition. It is designed to complement firms' existing vulnerability strategies (if already implemented) and encourage ongoing improvement through the sharing of good practice.





[5]**Figure 1**: "The scale of consumer vulnerability in the UK" (FCA Occasional Paper No. 8 February 2015)

Principles of the Guide

The purpose of the following ten principles is to provide a common understanding of the type of approach firms could take to identify and support customers. These principles could be used by firms on a 'rules of thumb' basis to help develop, amend and improve existing vulnerability strategies or provide a steer on how best to deal with individual cases and circumstances.

IDENTIFYING VULNERABLE CUSTOMERS

1. There are many facets and forms of vulnerability. Firms should consider all contributors and circumstances that may make a customer vulnerable. Whilst some vulnerabilities are permanent, others can be fluid, temporary or occur at changing intervals, or lead to other or enhanced levels of vulnerability. Firms should be alert to changes in an individual's circumstances and handle these changes sensitively.
2. Firms should consider how best to protect vulnerable customers' best interests, particularly when the customer's request may lead to a poor outcome.
3. Firms should record any disclosure of vulnerability (and any associated support requirements) when it is appropriate to do so and once the customer's permission has been obtained, ensuring information is communicated to other areas of the firm who may deal with the customer or their affairs. This will reduce the need for multiple disclosures by the customer and ensure they are supported in the most appropriate way at every touchpoint.
4. Firms should identify and support potentially vulnerable customers throughout the life of a product, from sale and servicing through to the end of the contract.
5. Firms should learn from and work with experts to better understand how to identify and support vulnerability across all channels, using good practice to inform the approach and embed understanding of vulnerability across the organisation.

SUPPORTING VULNERABLE CUSTOMERS

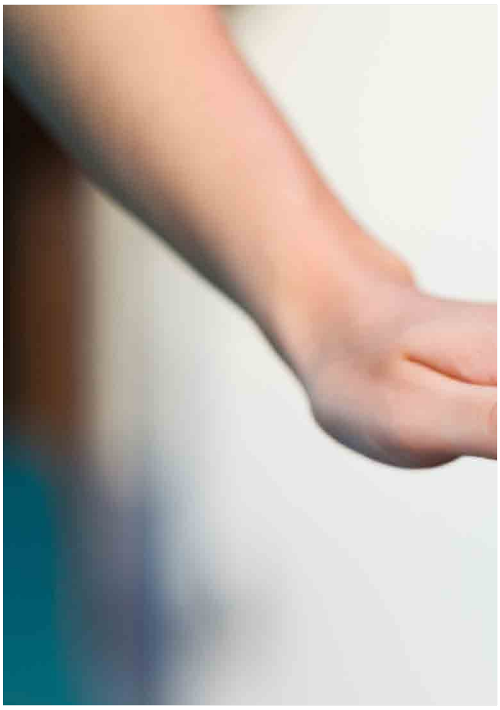
6. There is no one-size-fits-all approach to supporting vulnerable customers; no two vulnerable customers are the same. Firms should have an organisation-wide vulnerability policy or strategy and ensure that all customer-facing staff are sufficiently equipped to support vulnerable customers effectively and sensitively.
7. Firms should develop flexible processes that work for customers and their families, friends and/or carers. These should acknowledge there may be more than one single person, i.e. the customer may have multiple people supporting them.
8. Firms should ensure staff are suitably trained and equipped to deal with vulnerable customers or are empowered to refer customers to external organisations with a particular expertise. Internal training practices should be regularly reviewed to ensure they are still effective and up to date with best practice.
9. Firms should put in place support for vulnerable customers which is good for all customers.
10. Firms should ensure that all current processes for raising awareness of and preventing scams and financial abuse are effective for all customers, specifically those who may be vulnerable.

Identifying Vulnerable Customers

Principle 1: There are many facets and forms of vulnerability. Firms should consider all contributors and circumstances that may make a customer vulnerable. Whilst some vulnerabilities are permanent, others can be fluid, temporary or occur at changing intervals, or lead to other or enhanced levels of vulnerability. Firms should be alert to changes in an individual's circumstances and handle these changes sensitively.

Vulnerability has many forms and it is therefore not easy to identify an all-encompassing definition. OP8 defines a vulnerable consumer 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'. However, the FCA's definition of a vulnerable client is broad, and firms should determine how they would apply this to their own processes.

By nature, customers within the retirement market are of a certain demographic, but age should not be used as a single trigger to determine whether a customer is vulnerable. For example, there will be customers in their eighties who are able to manage their financial affairs without the need for support, whereas someone towards the younger end of the retirement cohort may not.



An open-minded approach is therefore required to identify vulnerability, and alertness to the other factors that may make a customer vulnerable. The below list is not definitive (See Figure 1: "The scale of consumer vulnerability in the UK - FCA Occasional Paper No. 8 February 2015) but it provides firms with a flavour of the varying contributing factors that may make a customer vulnerable:

- The elderly, particularly the 'older old', who may be susceptible to age-related conditions, including Alzheimer's and dementia;
- Those in poor health, suffering from chronic or terminal illnesses or physical conditions/disabilities;
- Those suffering from mental incapacity or who have learning difficulties;
- Those suffering with mental health issues, including stress or depression;
- Those suffering from significant emotional distress or who are suicidal;
- Those with sensory conditions e.g. customers who are deaf or hard of hearing, visually impaired, colour blind, dyslexic or on the autistic spectrum;
- Those in debt or who are unemployed;
- Those who are or have been victims of crime;
- Those who suffer from substance abuse or addiction;
- Those with low or poor literacy, numeracy and/or technology skills;
- Those with learning difficulties;
- Those whose first language is not English;
- Those who have experienced a significant life event, such as a job loss, divorce or family bereavement;
- Those on low incomes or struggling with their finances.

Whilst some vulnerabilities are permanent, others are more fluid. They can be temporary or occur at changing intervals, or lead to other or enhanced levels of vulnerability. Firms should be alert to changes in an individual's circumstances, record them and handle these changes sensitively. The Money Advice Trust's Traffic Light System (Case Study 1) can be a useful tool for firms in noting any changes.

CASE STUDY 1: MONEY ADVICE TRUST TRAFFIC LIGHT SYSTEM

The Money Advice Trust suggests categorising vulnerability within a Traffic Light system*:

Green Light: Potentially Vulnerable

If a customer is currently able to manage their finances, make informed decisions, and is not at risk of detriment due to their situation, then they are neither vulnerable nor particularly vulnerable. Instead, they remain as potentially vulnerable. However, in future, this could change.

Customers could, for example, develop an unexpected health condition which affects their ability to earn money (an individual factor) or experience an unwelcome change in their wider circumstances (such as the need to provide regular care to a family member). While the customer may be fine at present, things can change.

Amber Light: Vulnerable

These are customers who are currently in a situation which means they are more likely to experience harm, loss, or disadvantage than other customers. These customers will hopefully be identified as being in a vulnerable situation by a frontline member of staff or adviser, and will also hopefully receive help and assistance to avoid detriment to them. The firm's aim here should be to return the customer back to the potentially vulnerable category (where possible), although this may take time.

Red: Particularly Vulnerable

These are customers who are currently at a greatly heightened risk of experiencing detriment compared to the majority of vulnerable customers. This detriment could also be far more serious in terms of its negative impact on the customer's situation, and could be far more imminent. These customers need to be quickly identified by staff or advisers, and action needs to be swift and effective to avoid significant harm.

*Note that the wording has been adapted to suit the long term savings market.

Identifying a vulnerability is not a simple process, particularly if the customer does not disclose this information willingly or because the channel they are using does not lend itself to disclosure. However, there are a number of risk factors, triggers or behaviours that may indicate that a customer may be vulnerable or require certain assistance.

In a retirement context, there might be an urgent need for money or a sudden increase in withdrawals, suggesting a circumstance of vulnerability. Verbal triggers may be picked up during engagement including consumers using phrases such as "I can't read my statement" or "I can't understand the letter you sent to me". Other phrases such as "I can't pay" or "I'm having trouble paying" may have equivalents, that a payment or transfer from a pension is urgent. Other indicators of a vulnerable customer can include: shortness of breath; agitation; confusion; multiple requests for the same information; conflicting answers to questions; lack of awareness of the customer's own finances; becoming easily upset; forgetfulness; a reference to use of medication.

CASE STUDY 2: JUST'S TECHNIQUES FOR IDENTIFYING CUSTOMERS VIA TELEPHONY

There are many techniques available to frontline staff to assist them with the identification of potentially vulnerable customers if not disclosed upfront. Techniques such as discussing family background and a previous career can help assess recollection, as do questions about current affairs and historic events. Recording the answers in the clients own words and reviewing them at subsequent meetings will help test this over time.

CASE STUDY 3: IDEA DRILL (ROYAL COLLEGE OF PSYCHIATRISTS/MONEY ADVICE TRUST)

Impact

- Staff should ask what the mental health problem stops or makes it hard for the customer to do in relation to their financial situation.
- This helps to 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 decisions.

Episodes

- Some people will experience more than one episode of poor mental health in their lives.
- Firms will need to take such fluctuating conditions into account in their decision-making.

Assistance

- Firms should consider whether the customer has been able to get any care, help, support or treatment for their condition.
- This may help in relation to collecting medical evidence.
- Throughout, firms should keep in mind not only the commercial outcomes they wish to achieve, but also the steps that would bring about better customer outcomes for their health and financial wellbeing.

*Note that the wording has been adapted to suit the long term savings market.

The framing of questions as demonstrated in Case Study 2 can be an important method in extrapolating information and responses from vulnerable customers. Frontline staff should be made aware of types of vulnerabilities and the triggers/behaviours that may mean the customer needs tailored support. For cases of suspected mental health issues, the IDEA drill, jointly developed by the Royal College of Psychiatrists and the Money Advice Trust, can provide a structure to a discussion with a customer.

Despite the numerous types and causes of vulnerability, age is clearly a key factor for firms given the nature of the retirement client base, particular those deemed the 'older old'. For example, the FCA states that being over 80 years of age – while not an absolute – may be associated with cognitive impairment, sensory impairments and an unease with new technology. With the ongoing drive towards digital and automation, firms should consider how communications and support can be adapted to suit a generation who are generally less comfortable engaging on certain channels or without written documents. But at a more basic level, firms should consider how any written communications, across all channels, can be simplified. Given the low levels of financial capability in the UK and the often complex nature of later life finances, language in communications should avoid technical phrases and jargon where possible, and instead use plain, 'natural' English. The principles of the ABI's Making Retirement Choices Clear guide – alluded to in Case Study 26 – provide a good basis with which to assess the appropriateness of language currently used.

Research commissioned by the FCA shows that our ageing population has a set of diverse and complex needs, but a shared set of characteristics, including: a lack of confidence in the new or unfamiliar and a preference for face-to-face interaction[6]. Therefore, in addition to the standard provision of braille, audio tapes, larger font sizes for written communications or phone staff simply speaking slower, firms could (where possible) look to arrange a face-to-face meeting with the client to understand their needs and support requirements. Technology will likely have a greater role in helping firms tackle the aforementioned issues, for example holding Skype meetings with the customer, but any solutions must be tailored with the needs of older people in mind.

6 https://www.fca.org.uk/publication/research/ageing-mind-literature.pdf

CASE STUDY 4: THE BLAKE PROTOCOL – HOW TO SUPPORT CUSTOMERS WHO MAY BE SUICIDAL

Breathe (to focus) – it can be scary to hear something like this, so take a moment to simply breathe and focus your thoughts. You can do this by acknowledging what the customer has said: "I'm so sorry to hear you feel that way. How can we help?"

Listen (to understand) – we always take what the customer has shared seriously, but we also always listen carefully so we can assess the imminent risk of harm. Listen to the customer using verbal nods and recapping key information to show your understanding.

Ask (to discover) – listening is important, but where gaps continue to exist in your understanding about the current situation, you should ask questions to fill these. Example questions could include: "What has led to these feelings?" or "Have you spoken to anyone about how you are feeling?"

Keep safe (from harm) – based on your understanding of the situation, and also your organisation's policy, the emergency services should be contacted if the customer is at imminent risk of harm. During this, you may need to stay on the line to keep talking with the customer. Reassure the customer that your primary concern is their safety, and that any financial difficulty can be dealt with later. *"I'm worried about what you've told me – what can we do to keep you safe?"*

End (with summary) – once customer safety has been addressed, if it is possible to do so, staff should summarise what has been discussed and agreed, so that the call can end (and any data-recording can begin). *"We've been talking for a while, but before we finish let me summarise what we agreed and what will happen next..."*

SUMMARY OF STEPS FIRMS COULD TAKE:

- Outline a list of the various types, forms and circumstances that may make a customer vulnerable. Issue this list to the necessary frontline staff and ensure this is incorporated into staff training.
- Develop an internal definition of a "vulnerable customer".
- Deploy the IDEA drill into the frontline staff response and consider how it could be tailored for customers in the long term savings market.
- Deploy the BLAKE protocol to help call handlers identify and support vulnerable customers who may be suicidal.
- Use the 'Traffic Light' system to monitor changes in customer vulnerability.
- Review and amend call scripts so that they reframe questions in a way that encourages the disclosure of information.
- Consider how to accommodate face-to-face meetings with clients, if a firm is in a position to facilitate this, should they be necessary.
- Print out copies of Fig 1 (FCA – The Scale of Consumer Vulnerability in the UK) and distribute to staff/ display in communal areas.

Principle 2: Firms should consider how best to protect vulnerable customers' best interests, particularly when the customer's request may lead to a poor outcome.

Under COBS 2.1.1 firms have a responsibility to protect the interests of all customers: *"A firm must act honestly, fairly and professionally in accordance with the best interests of its client"*[7]. However, providers will need to decide how far to intervene in vulnerable customers' choices, particularly when it may be apparent that their request could lead to a poor outcome. As noted above, it may not be possible or appropriate for providers to prevent the negative outcomes that vulnerable (and all other) customers may face. Providers are expected to give risk warnings but not impose barriers to customers accessing their pension, and it is established that customers have a statutory right to transfer their pension even where their provider has concerns about the receiving scheme. One of the principles of the Mental Capacity Act 2005 is that a person is not to be treated as unable to make a decision merely because he or she makes an unwise decision.

CASE STUDY 5: HOW LV= DEALT WITH AN INSISTENT VULNERABLE CUSTOMER

Our Customer Experience Team became concerned about a pension scheme member who repeatedly contacted us to request a lump sum payment from his plan which represented a significant proportion of its overall value. This member was clearly unable to understand or action the steps required to withdraw a lump sum, and became distressed that his request hadn't been followed, despite being talked through the process several times. This member was flagged as vulnerable and one of our Vulnerable Customer Champions was assigned to the case.

We received a call from a third party who claimed to be advocate and carer for the scheme member. This individual advised the member was suffering mental health issues and that the family were in the process of obtaining Power of Attorney. They requested we not pay any further money from the scheme, as the member was unable to make such decisions at this time. As this information was from an unknown source, we took steps to verify the possibility of a POA via the Office of the Public Guardian, who confirmed no such arrangement was in place.

Throughout this period the member contacted us several times, continuing to appear distressed and confused about his withdrawal requests. We issued the appropriate documents again, together with a bespoke letter highlighting the risks of accessing the money, and urging the member to contact their financial adviser for support. We also contacted the servicing financial adviser to flag that the member was experiencing difficulty in accessing their money, and asked that they get in touch with him.

When we received the paperwork back a few days later, the instruction had changed, from a one off lump sum, to an annual income of a much lower amount, which we consider to be a better outcome for the member. We have since also had contact from an independent organisation acting on behalf of vulnerable individuals, who are now working with this member and his family.

7 https://www.handbook.fca.org.uk/handbook/COBS/2/1.html#D95

This is a difficult line to follow for providers, particularly when the customer's request is likely to lead to a poor outcome. In many respects this is similar to the insistent client scenario. The most frequent example – even for those who are deemed 'non-vulnerable' – is the risk that a request may lead to the customer paying increased levels in tax, partially due to the attraction of a lump sum and a desire to obtain the money at all costs.

The expectation of firms should be to provide all the necessary risk warnings, guidance and information to the customer. Firms should also suggest that the customer takes time to consider their decision and its potential impacts and for firms to use this time to try to better understand the context of the request (i.e. whether the customer has debts and therefore could be signposted initially to Step Change in the first instance). Alternatively, speaking to friends or family about a decision could be a good starting point, assuming there is someone to contact. The role of an adviser could also be critical at this juncture - especially for businesses that use an intermediated model - and reinforces the need for a joined-up approach between the various parties involved and a consistent approach to addressing vulnerability.

CASE STUDY 6: ABI MEMBER'S HANDLING OF AN INSISTENT CUSTOMER

A customer made contact with us seeking to withdraw all of the money from her husband's pension plan (she had power of attorney). It transpired that her husband was terminally ill in a hospice and she also had been diagnosed with cancer and she wanted the money to clear debts.

We made clear that the customer would incur significant tax on the withdrawal and advised that she could be eligible to get the money paid out 100% tax-free if the terminal diagnosis was confirmed.

The customer was clearly under significant distress (at one point threatened suicide) which the call handler was able to pick up on. At one point, it was a three-way conversation between the call agent, the customer, and her husband from the hospice.

Taking this into consideration, instead of processing the transaction as requested we reached an agreement with the customer that they would go to the GP with a view to exploring the serious ill health option. The customer has since done this and returned to us.

As it turns out the GP has diagnosed that the customer's husband has longer to live than originally thought so she was unable to get the money tax free.

This case demonstrates that there was a recognition of the vulnerability of the customer and a drive to get the customer the best possible outcome, whilst taking their situation into account.

The customer made their final decision with an awareness of all of possible options.

Providers should consider incorporating some flexibility into standard processes and protocols in some situations of vulnerability, such as being prepared to offer (and have processes in place to facilitate) flexibility to accommodate customers in exceptional circumstances.

In the most extreme cases where the customer's life may be at risk, the police may have to be involved. However, there are also a number of charities that may be able to help, depending on what was affecting the client. In the case detailed above, Samaritans or Macmillan may be able to provide assistance. In scenarios of this nature, the individual who is dealing with the customer may be affected, and firms have a responsibility to ensure their wellbeing too.

CASE STUDY 7: LESSONS FROM THE EQUITY RELEASE MARKET

An ABI member who also operates in the equity release market, is a member of the Equity Release Council and therefore adheres to the ERC Statement of Principles (See References). Customers are offered the option to drawdown funds as and when required. The firm changed its procedures to a telephone-based drawdown process as opposed to paper-based or online so they can interact with elderly customers and better assess their capability, understanding and provide support where needed. This firm has also arranged staff to attend safeguarding training offered by the local council.

SUMMARY OF STEPS FIRMS COULD TAKE:

- Set out clearly how frontline staff should handle "insistent cases".
- Develop an internal process that escalates cases of this kind to the relevant senior member of staff.
- Insert a number of 'pauses' or 'breaks' into the customer journey that enable both the customer and the frontline staff member to take time to consider action.
- Firms could try to allocate the same individual frontline staff member to manage the vulnerable customer through their processes. This would help to build trust and develop a relationship with the customer.

Principle 3: Firms should record any disclosure of vulnerability (and any associated support requirements) when it is appropriate to do so and once the customer's permission has been obtained, ensuring information is communicated to other areas of the firm who may deal with the customer or their affairs. This will reduce the need for multiple disclosures by the customer and ensure they are supported in the most appropriate way at every touchpoint.

Disclosing a vulnerability to friends or a family member can be a difficult decision for an individual; let alone a stranger in a call centre at a pension provider. Therefore, it is imperative that firms create an environment, and subsequently processes, across all channels that make it easy and comfortable for customers to share information that they believe to be important to dealing with their affairs.

Contact between firms and customers can take place on a number of occasions and across varying channels and periods of time, particularly when a customer may require time to consider their options or make additional enquiries before proceeding with a decision. It is therefore likely that the customer will speak to a different member of staff on each occasion. To avoid customers from making disclosures about any circumstances that may make them vulnerable every time they make contact, firms should use existing systems, or consider implementing new processes, to record and flag this information - but only once the customer's explicit permission has been obtained and they have been informed how it will be used. Case Study 8 demonstrates how one firm has harnessed technology to address this issue.

Collecting and recording this information should be a fairly simple procedure assuming a customer is willing to disclose it. However, there is an additional challenge for firms where customers do not willingly disclose a condition; particularly if the member of staff the customer is engaging with suspects a vulnerability and the potential need to provide additional support to the customer. This challenge is exacerbated when contact with the customer is not made via telephony.

CASE STUDY 8: ABI MEMBER'S RECORD KEEPING SYSTEM

We have record keeping systems in place which allow staff to record whether a client is vulnerable, holds details regarding the vulnerability or disability they may have and records any previous support given to the client that ensures a more sympathetic and tailored approach. Not only does this prevent the client from making repeated disclosures to different members of staff, it enables the firm to handle the customer's account more effectively. Should the vulnerability be temporary, the system is easily able to be updated.

Vulnerability is an emotive word and should be handled sensitively at all times. Therefore instead of recording a customer simply as "vulnerable" or the conditions they may have, firms should try to record the types of support that the customer may require, in addition to a factual summary of the interactions had. Customers may not want to be considered as 'vulnerable', but may be happy to have, for example, a note indicating that English isn't their first language and therefore that they may require interpreting services. Frontline staff may wish to talk about the communications the customer has received in the past, whether they have understood them, or whether there is anything firms can do to assist them in their transaction.

When considering how best to implement processes and policies for recording confidential customer information for use by multiple employees, firms should consider their responsibilities pursuant to data protection regulation, including the new requirements of the General Data Protection Regulation (GDPR) which is due to apply in the UK from May 2018 . It is likely that firms will be involved in cases that create a tension between consumer outcomes and data protection requirements, but the FCA indicated in OP8 that staff should have no "concerns about data protection to prevent the gathering and recording of relevant information about vulnerability"[8] when it could lead to a fair outcome for the customer.

Another drill developed by the Royal College of Psychiatrists and the Money Advice Trust includes the TEXAS drill. This can be used by frontline staff to identify vulnerability and to help them effectively manage the information they are either given or are able to obtain from the interaction with the customer.

CASE STUDY 9: TEXAS DRILL (ROYAL COLLEGE OF PSYCHIATRISTS/MONEY ADVICE TRUST).

Thank

- Thank the customer (what they have told you could be useful for everyone involved).

E.g. "Thank you for informing me. This will enable us to deal with your account better."

Explain

- Explain how the information the customer has given you will be used (this is a legal requirement).

E.g. "So you are aware, I will now explain how we intend to use this information."

Explicit

- Explicit consent should be obtained (this is a legal requirement).

E.g. "In order for us to use this information, I will need your verbal permission to do so. Please could you confirm you are happy to proceed?"

Ask

- Ask the customers questions to get key information to help you better understand their circumstances.

E.g. "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?

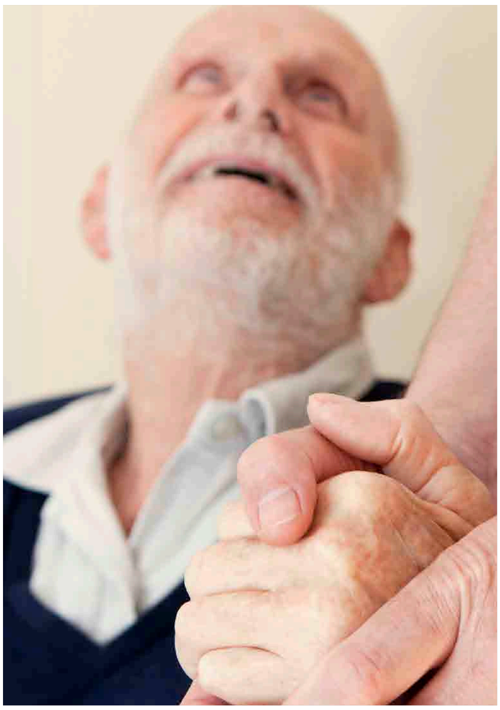
Signpost

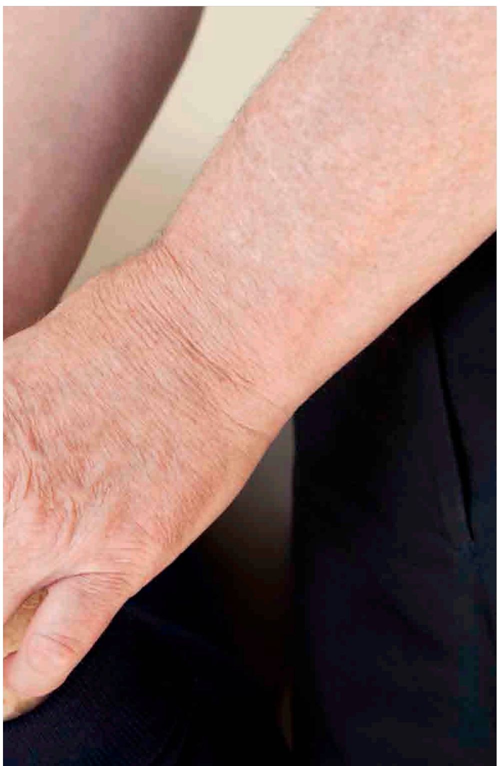
- Signpost or refer to internal and external help where appropriate.
- Staff should direct customers to a company specialist or third party:
  - A debt advice agency or help with multiple debts
  - NHS 111 for more help with mental health issues
  - The Samaritans for customers with suicidal tendencies

8 FCA Occasional Paper No. 8 on Consumer Vulnerability in financial services https://www.fca.org.uk/publication/occasional-papers/occasional-paper-8.pdf

SUMMARY OF STEPS FIRMS COULD TAKE:

- Consider how technology can be harnessed to help firms better understand their vulnerable customers' needs.
- Deploy the TEXAS drill to help call handlers identify vulnerability and to help them effectively manage the information they are either given or are able to obtain from the interaction with the customer.
- Ensure staff understand the relevant data protection regulations and are able to act in the best interests of the customer.





Principle 4: Firms should identify and support potentially vulnerable customers throughout the life of a product, from sale and servicing through to the end of the contract.

Changes to the retirement market introduced in 2015 fundamentally changed the risks and responsibilities facing customers. Where the majority of customers had to purchase a guaranteed income for life (or annuity) before “Freedom and Choice”, defined contribution customers over age 55 are now presented with a number of options as to how they take their retirement income. Not only does this mean that customers have to consider more complex decisions at the point of retirement, it also means the nature of some of those choices now requires them to engage at ongoing stages of the product, for example, customers who choose a flexible retirement income (or drawdown). Figure 2 outlines in more detail the types of decision that customers may face, the risk factors involved and the potential negative outcomes that could arise.

Engagement Area	Decisions and understanding required	Risk factors most likely to cause detriment	Potential negative outcomes
Choosing investments	• Types of investments • Interaction of investments and withdrawals • Attitude to market volatility • Risk appetite and overall goals	• Severe or long term illness • Mental health problems • Caring responsibilities • Older old	• High risk investments • Cautious investments • Fraud/abuse
Choosing withdrawals	• What are sustainable levels of withdrawals • Interaction with tax and investments • Impact on means-tested benefits	• Severe or long term illness • Mental health problems • Low income and/or debt • Change in circumstances • Older old	• Short term drivers for cash • Fraud/abuse
Choosing products and providers	• Weigh pros and cons • Whether guarantees are required • Assess value of product and provider features	• Severe or long term illness • Mental health problems • Caring responsibilities • Change in circumstances • Older old	• Not getting the right product
Retirement communications	• Options available • What’s right for personal circumstances • Knowing next steps and where to go for advice and guidance	• Mental health problems • Change in circumstances • ‘Older old’	• Doing nothing • Taking action unnecessarily

Figure 2: Analysis of types of risk factors facing potentially vulnerable customers in the retirement market post April 2015.

Given the increased complexity facing customers at retirement and the general low levels of financial capability in the UK, many customers may be vulnerable due to a lack of comprehension. The BRUCE protocol (Case Study 10) developed by the Finance & Leasing Association, the UK Cards Association and the University of Bristol, can be used to both identify and help support customers with decision-making limitations[9]. When working with customers, staff can keep the BRUCE protocol (and each of its letters) in mind to help identify and spot those customers with decision-making difficulties. Where BRUCE does help to identify a customer with a decision-making limitation, then appropriate support can be given to the customer to overcome this, and make a decision. Importantly, BRUCE does not provide a sequence of steps to follow in order, but simply a means of reminding staff about each of the key issues to address.

Customer communications are critical in highlighting the various factors and risks for customers to consider when making decisions. Various existing and upcoming policy interventions could help to inform all customers about the options and risks they face, including the output from the Financial Advice Market Review and the subsequent development of rules of thumb, for example (see Case Study 11). Similarly, efforts to ensure customers engage with guidance should be geared to helping support customers who do not want, or cannot afford advice, including vulnerable customers.

However, the pension reforms also create additional challenges for firms in trying to engage with customers throughout the life of a product. Existing processes tend to focus on identifying vulnerability at the new business stage or when money is withdrawn. Therefore, there is an opportunity for firms to innovate in this space to alter customer processes.

Annual statements are one way of interacting with customers but they are unlikely to 'nudge' or motivate customers - especially those who may be vulnerable - into acting.

Firms should consider how to introduce additional touchpoints into the life of products, to encourage contact that will enable staff to "check-in" and assess the customer for vulnerability and the suitability of the product(s) they have chosen. Notifying customers that they are in an inappropriate type of investment for instance, such as cash in a long-term product, could be a way to re-engage a customer (and those acting on their behalf) to take an active decision.

CASE STUDY 10: THE BRUCE PROTOCOL – HOW TO IDENTIFY AND SPOT CUSTOMERS WITH DECISION-MAKING DIFFICULTIES

- **Behaviour and talk** - staff should monitor a customer's behaviour and talk for indications of difficulties with:
- **Remembering** – is the customer exhibiting any problems with their memory or recall?
- **Understanding** – does the customer grasp or understand the information given to them?
- **Communicating** – can the customer share and communicate their thoughts, questions and decisions about what they want to do?
- **Evaluating** – can the customer 'weigh-up' the different options open to them?

9 Vulnerability: A guide for lending (2017) University of Bristol
http://www.bristol.ac.uk/media-library/sites/geography/pfrc/pfrc1703-vulnerability-guide-for-lending-(web).pdf

Similarly, 'orphaned' clients – or those that had advice at the point of purchase but no longer have an ongoing relationship with that adviser – could, in theory, be considered as potentially vulnerable, as they would no longer receive support with reviews and other servicing requirements. Again, the provision of information and guidance, and deployment of 'rules of thumb' will help customers make informed decisions in these instances – and they may also reduce the likelihood of detriment should they become vulnerable further down the line.

In his independent review of the State Pension Age, John Cridland CBE proposed a 'mid-life MOT'.[10] He suggested there should be a financial review at a point in people's lives (roughly in their 50s) where they would be given help with the lifestyle choices which determine their financial position – possibly connecting people with independent financial advisers. Cridland recommended that this could be a web-based tool, connecting people through pensions dashboards. The tool would provide financial guidance to address the important questions people face. This concept could be be applied to customers who may be vulnerable, particularly for those who have products with few natural touchpoints

CASE STUDY 11: ABI SUBMISSION TO FINANCIAL ADVICE WORKING GROUP

ABI Rules of Thumb for Retirement

Taking Your Money

- Pension Wise is free, independent and impartial. Talk to them to get help understanding your retirement choices.
- When considering your options, ask yourself if you want a guaranteed income for life, a flexible income, a death benefit, or a mix. Be aware, you might not be able to get all three.
- If you take your whole pension pot in one go, or as a number of lump sums, make sure you don't lose out by putting your money in savings accounts with low interest rates.
- If an investment opportunity sounds too good to be true, then it probably is.
  - Always be wary of unprompted contact or cold calling offering you 'advice' on your pensions or investments – they're likely scams or very risky.
  - Always check the FCA register of authorised financial services firms if you are not sure.
- If you have one, check to see what your pension guarantee offers, as well as what you could get from shopping around.
- If you decide to take more than the 25% tax free allowance from your pension, the amount over the 25% will be added to your total taxable income, and may increase the tax you pay.
- You should consider whether taking your pot as a number of lump sums over different tax years could mean you may pay less tax than if you take it all in one go.

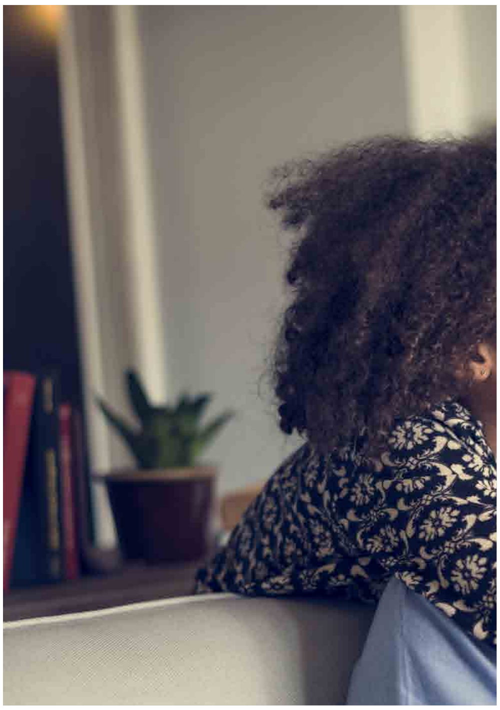
In retirement

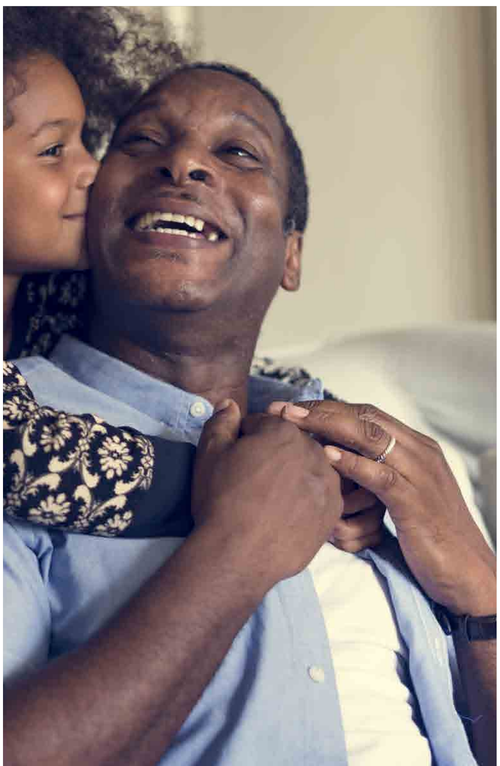
- Divide the size of your pot by the number of years between your current age and 88 to get a rough idea of how much you can sustainably withdraw on an annual basis. (This should be reviewed to account for increasing life expectancy, and made clear to individuals that people can live much longer than anticipated).
  - Carefully consider the performance of your investments in retirement before setting a safe, regular rate of withdrawal.
  - Consider whether you could manage by reducing your rate of withdrawal in times of poor market performance.
  - The lower your investment returns are, the lower your rate of withdrawals should be.

10 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/630065/state-pension-age-review-final-report.pdf

SUMMARY OF STEPS FIRMS COULD TAKE:

- Consider how to introduce additional touchpoints into the life of products, to encourage contact in order to assess whether a customer is vulnerable or has certain support requirements.
- Introduce the BRUCE protocol into call-handlers' response to vulnerability.
- Introduce a 'Financial MOT' as part of a product at certain ages or regular intervals. This will encourage customers to take stock of their circumstances and provide an opportunity for firms to assess whether the customer is vulnerable/has any support requirements - and undertake any necessary subsequent action.





Principle 5: Firms should learn from and work with experts to better understand how to identify and support vulnerability across all channels, using good practice to inform the approach and embed understanding of vulnerability across the organisation.

There is a wealth of expertise and initiatives outside of the immediate pensions industry that providers can draw on to improve their own approaches to dealing with vulnerability. It is unlikely that providers will have all the relevant expertise in-house to advise on certain cases, therefore firms should look to external help for support.

CASE STUDY 12: ZURICH & THE ALZHEIMER'S SOCIETY'S POWER OF ATTORNEY GUIDE

Zurich has published a guide to help people put their financial affairs in order, should they become mentally incapacitated. 'A guide to Deputyship and Lasting Power of Attorney', outlines what people need to do if they wish to appoint someone else to handle their financial affairs. The guide is intended to help customers in good mental health who are considering putting things in place should they develop mental health problems in the future; customers in the early stage of dementia who are looking to plan ahead for when they become mentally incapable of managing their own finances; and families and carers acting on behalf of customers no longer able to manage their own affairs.

In addition, firms should look to build partnerships with these organisations. This could improve processes from a training perspective, as well as making the signposting process and triage of vulnerable customers more robust.

CASE STUDY 13: FINANCIAL SERVICES DEMENTIA CHARTER

The Alzheimer's Society offers Dementia Friends Training to financial services staff as part of its Financial Services Dementia Charter. One ABI member has implemented the training as part of their corporate responsibility programme.

The Dementia Friends sessions are hour-long 'bite-sized' training sessions, and these sessions have been held at regular intervals over the last couple of years. The training is primarily designed to raise awareness of Dementia, give an idea of what it is like to live with Dementia, and some of the initiatives that people can get involved in.

The sessions are delivered by a 'Dementia Champion' and an external third party is used to deliver the training sessions. However, two members of staff are currently in the process of training to become 'Dementia Champions' which will enable the firm to deliver the training internally, as well as to their outsource partners, on a more regular basis than they do currently, with the aim that a significant proportion of our workforce will become Dementia Friends.

Furthermore, the local council where the firm is based has announced that it intends to become a Dementia Friendly Village. As part of the firm's contribution towards that, it is planning to volunteer to deliver Dementia Friends training in the local community.

All of this goes toward creating a positive culture towards vulnerability and a workforce that is aware of the issues that can affect its customer base.

Similarly, advisers have an increasingly important role to play and firms acknowledge that they are likely to be part of the solution for many cases. Just has produced a draft 'aide memoire' (Figure 3) to help advisers formulate their thoughts towards vulnerability. This can also be considered against any existing guidance that advisers use. It goes without saying that, as highlighted throughout, vulnerability is a fluid state and affects everyone differently. This necessitates a flexible tailored response; something advisers are well placed to deliver.

CASE STUDY 14: LV= RETIREMENT WIZARD

LV='s Retirement Wizard is an example of how online channels can be constructed in a way to allow firms to monitor customer behaviours and protect potentially vulnerable customers from making decisions that could lead to a poor outcome, particularly given the shift towards automation. The checks and balances designed within the Retirement Wizard customer journey can help identify where customers have inputted contradictory data or have demonstrated inconsistent behaviours, which then 'stop' or 'pause' the process and direct them to call up and speak to someone in person.

SUMMARY OF STEPS FIRMS COULD TAKE:

- Forge closer ties with charities and others in the third sector to better understand vulnerability.
- Forge closer links with advisers and consider how internal processes can complement their work and role as a potential solution.
- Sign up to the various charity charters, codes and agreements.
- Formulate a list of stakeholder organisations that your firm can build partnerships with that align with the potential vulnerabilities that staff may deal with.
- Consider hosting staff from external organisations, either on a short term basis or on a longer term secondment style basis, so they can review current internal process and provide advice on how to improve them.

Vulnerable Client Aide Memoire

Policy	• I have considered how I assess clients against my vulnerability policy. • I will actively seek to encourage disclosure about potential vulnerability. • I have reflected my approach in an appropriate way in my documentation. • I have discussed my approach with colleagues / other professionals.
Client	**New:** • I have considered what, if any, additional information I should be gathering when providing advice in the first instance. • I have sought to understand any unusual aspects – for example why someone else is accompanying a client? • I understand who my client is and the extent of the instructions I am able to act on (for example under a lasting power of attorney). **Existing:** • I have considered whether the client is acting differently /showing signs of a change of character. • I have a set of questions to check client memory recollection (if required). • If working with more than one person, I am aware of the potential for any conflict of interest or undue influence. • I have confirmed any change in circumstances which might lead to vulnerability (e.g. having to take on caring responsibilities).
Advice Requirements	• Does the particular client need / objective align with what I would expect to provide advice on? (E.g. question why a client would be seeking to make gifts if there is an immediate debt due). • I have considered whether my normal advice process aligns to what this particular client needs. • I am able to identify financial products that I believe are clear and easy to understand for those showing signs of vulnerability.
Presentation of Information	• I have recognised whether there is a need to adjust the delivery and format (e.g. provided a suitability report in large print). • I have sought to explain issues/solutions with a limited use of jargon
Tailored Approach	• I have taken the time to listen to identify vulnerabilities and will suggest that someone else forms part of the advice process and/or a referral to specialist if appropriate. • I am flexible around appointment locations (e.g. at the client's home), times of the day and their duration. • I have considered the accessibility of my offices for those with health conditions / disabilities. • I have taken account of the complexity of the advice being delivered and made reasonable adjustments (e.g. staggering the advice over several meetings and / or given greater time to reflect before execution).

Figure 3: Just Aide Memoire for Advisers

Supporting Vulnerable Customers

Principle 6: There is no one-size-fits-all approach to supporting vulnerable customers; no two vulnerable customers are the same. Firms should have an organisational-wide vulnerability policy or strategy and ensure that all customer-facing staff are sufficiently equipped to support vulnerable customers effectively and sensitively.

Following the publication of OP8, consultancy firm Huntswood conducted a survey which found that 47% of financial services firms did not have a clear vulnerability policy in place[11]. Since then, a number of firms have developed their own internal policies for dealing with vulnerable customers which look to establish an overarching approach for identifying and treating potentially vulnerable customers. The mere existence of a company-wide commitment to better supporting vulnerability can help to create a culture across the firm which encourages staff to better empathise with their vulnerable client base.

Although policies are specific to each firm, examples of good practice may include:

- Outlining a vision for how the firm aims to treat vulnerable customers;
- Providing guidance to frontline staff in how to best support vulnerable customers;
- Principles to support identification and understanding of potential vulnerability, to ensure that it can be recognised and addressed;
- Setting out how the firm deals with customers who are temporarily vulnerable.

As well as providing practical advice to staff and formulating clear processes, the existence of a vulnerability policy can also help staff to better understand the needs of vulnerable customers and foster innovative thinking in responding to vulnerability. For example, the case studies below show a number of processes that have been borne out of a vulnerable-customer-friendly environment, which in some cases are becoming the norm at many firms.

CASE STUDY 15: ABI MEMBER'S VULNERABLE CLIENT POLICY

Our Retirement Service Vulnerable Client Policy has been in place since 2011. All staff are made aware of the policy when they join the firm and receive refresher training annually. They also have the ability to refer internally where they feel a change to 'standard' procedures may be necessary for individual clients or circumstances.

11 Huntswood, 2016: White Paper – Vulnerable Customers https://www.huntswood.com/insights/white-paper-vulnerable-customers

CASE STUDY 16: SUN LIFE FINANCIAL OF CANADA'S 'VULNERABLE CUSTOMER CHAMPIONS'

Sun Life Financial of Canada has established 'Vulnerable Customer Champions' in most of their outsource partners. These are in place to champion understanding of the needs of vulnerable customers and how to help them. Their activities include:

- being a reference point for more acute cases and provide guidance on how to help and communicate in the given situation;
- on occasion, taking ownership of the call or making a call back;
- engaging with senior management to vary standard processes because of individual needs;
- maintaining a focus on the needs of vulnerable customers by attending team meetings, reminding colleagues of how to identify vulnerable customers and help and sharing examples of recent support provided.

CASE STUDY 17: AVIVA'S VULNERABLE CUSTOMER FORUM

Aviva has established a 'vulnerable customer forum' which meets within 72 hours of a vulnerable customer case being identified to discuss how best to handle the case. The forum is comprised of staff from across the business operating in key customer facing roles or who hold the necessary expertise to deal with such a case, including Customer Service Manager, Legal/Life Technical, Risk and Governance, Financial Crime. Forums are convened across all Retirement Solutions areas including equity release.

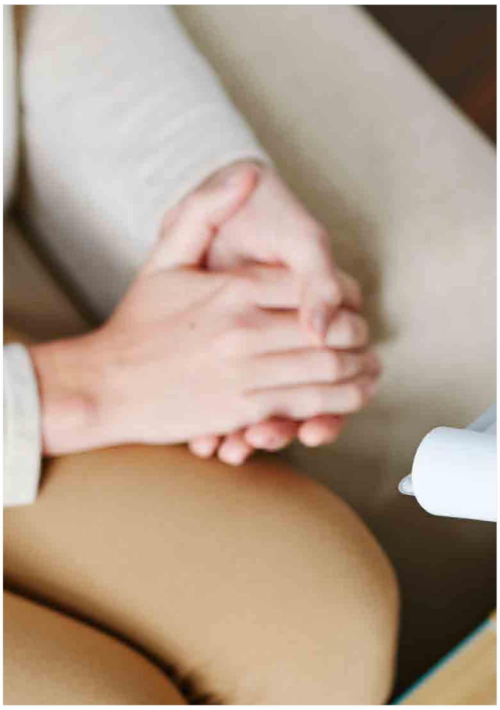
CASE STUDY 18: STANDARD LIFE'S MEET & GREET POLICY

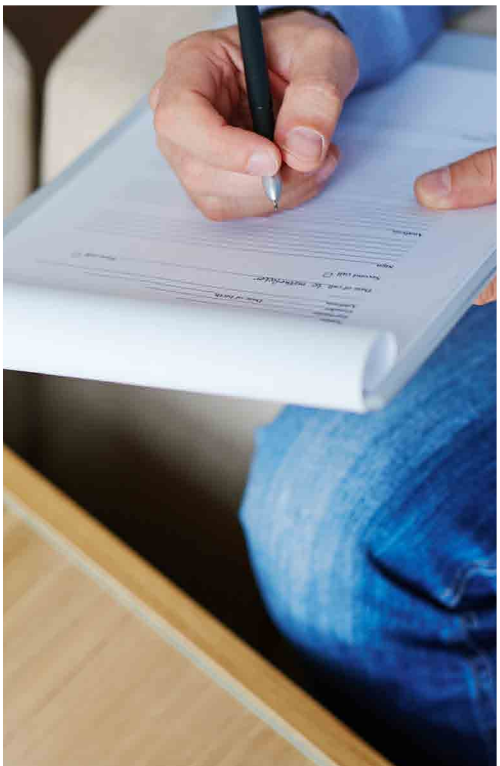
Standard Life has established a Meet & Greet policy that has been up running for a number of weeks in both Standard Life House (Head Office) and Dundas House (Customer services). Around 45 staff have volunteered their time to be made available (on a rota) to support customers who visit with a wide variety of requests.

It is estimated that around 50% of these visits are from customers who are viewed as vulnerable. Staff aim to spend time with these people to better understand their concerns on a 1:1 basis, who can then arrange for staff to provide the most appropriate support to best meet their needs. Staff have found this a rewarding experience, being able to make a real difference by meeting and helping customers face-to-face.

SUMMARY OF STEPS FIRMS COULD TAKE:

- Conduct an internal audit of current approaches/systems/policies.
- Develop and implement an internal vulnerable client policy and:
  - Involve staff at all levels of business;
  - Ensure all staff understand the policy;
  - Ensure the policy is a part of any induction processes for new joiners.
- Introduce 'Vulnerability Champions'.
- Consider how to bring staff with varying expertise together to discuss the handling of certain vulnerable customer cases.





Principle 7: Firms should develop flexible processes that work for customers and their families, friends and/or carers. These should acknowledge there may be more than one single person, i.e. the customer may have people supporting them.

The onset of vulnerability may mean customers require support from family and friends and therefore firms should consider how existing processes could be improved, made more flexible or whether new ones could be introduced to make it easier for them to support the customer. This could be through "formal" arrangements, such as Power of Attorney, or through more "informal" arrangements like a third-party mandate.

As it develops its Ageing Population Strategy, the FCA is keen to encourage financial services to innovate more in the "third-party" space, in facilitating access to money whilst ensuring the necessary safeguards remain. Examples of good practice in the banking sector already exist and similar processes could be developed in the long term savings market, particularly with the move to digital. For example, having nominated persons who are authorised to help a vulnerable customer manage their account could improve decision making in later life, particularly around investments and withdrawals, assuming the necessary safeguards are met. Case Study 19 is an example of how one ABI member has introduced this kind of support.

Providers should however consider the balance that needs to be struck between maintaining security, preventing scams and fraud, data protection requirements and wanting to support vulnerable customers through a third party. OP8 identified this as a problem area, where it found that processes designed to protect against financial abuse and fraud could be inhibiting "staff empowerment to use discretion"[12]. The CARERS drill[13], developed by the Royal College of Psychiatrists, can help staff with the handling of information disclosures from third parties, like carers and ensure that the appropriate information is recorded.

On the other hand, firms should assess and consider how their processes may better support customers who do not have any family, friends or relatives. According to statistics from Ageing Without Children, there are currently one million people over the age of 65 in the UK who are child-less. By 2030, this figure is expected to rise to two million[14]. Individuals may be ageing without children for a wide range of reasons including:

- those who have never been parents either though choice or through circumstance;
- those whose children predeceased them;
- those estranged from their children;
- those whose children live far away;
- those whose children are unable to support them for another reason e.g. they have a long term disability or they are in prison.

Firms should therefore not assume that all customers have family support structures and consider how processes, communications, marketing practices and customer support services can be tailored in a way that is more appropriate to those without children.

CASE STUDY 19 – SCOTTISH WIDOWS SUPPORTS A DEAF CUSTOMER VIA ITS TRUSTED FRIEND PROTOCOL

Mrs Gray called to find out more about her pension as she wanted to know what her options were. Call handler Martin took the first call from Mrs Gray, established that she wanted to know more about her retirement options, and proceeded to cover off all the options with Mrs Gray. Mrs Gray advised Martin that she was partially deaf, was struggling to follow what he was saying and asked if he could speak slowly.

Martin adapted his pace as best he could and went over the options, but he quickly realised that this wasn't working as the customer was still asking him to repeat a lot. He was concerned that Mrs Gray was not able to hear him properly and hence not able to fully understand her options.

Martin wasn't sure if it was best to continue with the call as the customer was getting frustrated and had now been on the call for over 45 minutes but he wanted to help as best he could. He referred to his mentor for further guidance.

Martin returned to the customer and explained that if she was struggling to understand she could seek the help of a trusted friend or relative who she could authorise to gain further information about her policy and the options available. He also offered to send out a customer intent pack which provided all the information about her options as he felt she may prefer them in a written format.

Mrs Gray thought this would be beneficial and stated she would call back once she had reviewed the intent pack and had spoken with a friend she had in mind. Martin updated the policy notes to confirm he had issued the customer intent pack and that the customer may call back with a trusted friend to discuss further.

Mrs Gray called back two weeks later having reviewed the customer intent pack. She had a few questions she needed help with and asked if her friend could speak on her behalf to get this information. The call handler Sharon vetted the customer and obtained verbal authority to speak to her friend.

Mrs Gray had read about the flexible income option and wanted to know more about this. Her friend confirmed that Mrs Gray was keen to take her tax-free cash but leave the rest invested. Mrs Gray's friend was then guided to the relevant forms in the customer intent pack that she would need to complete. Once the call ended Mrs Gray filled out and signed all the paperwork and returned these to request to have her tax-free cash paid out.

CASE STUDY 20: OLD MUTUAL GOING THE EXTRA MILE

Last December, Old Mutual received a request from a customer wanting to withdraw £20,000 as a mixture of tax-free cash and income. It became clear that the customer had been through a sensitive divorce process, where she has been forced to move out of the family home. She had subsequently moved into rented accommodation with her young son and needed the money to pay the rent, otherwise they faced eviction. It also transpired that she had been recently diagnosed with cancer but had not yet informed her son.

The customer was clearly very emotional and becoming desperate due to the impending payment deadline. Therefore the call agent escalated the case to senior managers. Due to a delay with a transfer from another scheme, the senior managers agreed to do everything possible in their power to ensure the customer receives the money as soon as possible. Old Mutual agreed to accept a charge for a same-day CHAPS payment from the ceding scheme to allow for an immediate payment to the customer.

The customer contacted Old Mutual to confirm she had received the money and to pass on her appreciation, particularly given the proximity to Christmas and the fact that she was able to buy her son gifts. Inspired to make the customer's Christmas as magical as possible, Old Mutual purchased a Lego set for her son, and a hamper of 'Lush' cosmetics for her. Old Mutual sent them out with a card, hand-written by the agent who handled her case. She called back again to offer her thanks: "The money is in my account. Thank you so much for your help and support. You have no idea how much your help means to me. I have had a difficult 2 years and what you have done has made me feel there are good people out there."

12 FCA OP8: Consumer Vulnerability p11 https://www.fca.org.uk/publication/occasional-papers/occasional-paper-8.pdf

13 Royal College of Psychiatrists/ Money Advice Trust, 2015, Lending, debt collection and mental health: 12 steps for treating potentially vulnerable customers fairly http://media.wix.com/ugd/0e662e_920a4dc186774747ab429e6765b777d8.pdf

14 Ageing Without Children https://awoc.org/

CASE STUDY 21: CARERS DRILL (ROYAL COLLEGE OF PSYCHIATRISTS/MONEY ADVICE TRUST)

- **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 about these issues (is there, for example, a communication issue?);
  - you are clear how the customer's mental health problem affects their ability;
  - 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.

SUMMARY OF STEPS FIRMS COULD TAKE:

- Consider how customers could transfer some responsibilities or requests for support to family members, friends or carers, whilst balancing the need to sufficiently safeguard the client.
- Introduce the CARERS drill into frontline staff training.
- Provide information about setting up a Power of Attorney or other similar mechanisms at sale of a product of service, when a customer is less likely to be vulnerable.
- Explore ways that Power of Attorney or other third-party mechanisms could be incorporated and paid for via admin costs or fee / charge structure of a product.
- Work with the public bodies and relevant stakeholders to raise awareness of the benefits of arranging Powers of Attorney sooner rather than later.

Principle 8: Firms should ensure staff are suitably trained and equipped to deal with vulnerable customers or are empowered to refer customers to external organisations with a particular expertise. Internal training practices should be regularly reviewed to ensure they are still effective and up-to-date with best practice.

Sufficiently trained, knowledgeable staff can be the difference between a good outcome for a vulnerable customer and a bad one. The response of frontline staff is therefore crucial to the customer experience and training should be a core part in the development of a robust internal vulnerability policy. Training should be substantial and regular, to ensure staff keep abreast of the latest practices and techniques. That said, staff cannot be expected to be experts in all areas of vulnerability, and as recommended under Principle 5, firms should engage with experts where possible to learn and update practices.

CASE STUDY 22: SUN LIFE FINANCIAL OF CANADA

Sun Life Financial of Canada (SLFOC) recognised that whilst their frontline staff are naturally helpful and supportive they would still benefit from first-hand understanding of the needs of vulnerable customers. SLFOC identified vulnerability through age and broad mental health conditions as areas to provide initial focus. SLFOC engaged with Age UK and the Samaritans to come and provide targeted training through full day training workshops. These focused on:

- how to identify vulnerable customers and exploring ways of how best to help them
- practical sessions for staff to experience what a vulnerable customer would be experiencing through:
  - visual impairment - walking outside unaided, the disorientating effect on confidence and activity;
  - hearing loss - difficulty in making and responding to phone calls;
  - swollen finger joints and attempting a phone call whilst referring to communication received;
  - traumatic life events and the impact it would have on everyday activity;
- explore how vulnerable customers' needs would be different as a result of the above and how SLFOC could adapt its approach.

Frontline staff should also be trained and empowered to recognise that they may need to flexibly respond to a specific circumstance that requires them to deviate from a standard procedure or call script. Knowing they have a certain level of autonomy to direct customers to external sources of specialist support or into a different customer journey is crucial to providing a tailored customer response. Case Study 23 demonstrates how staff at Old Mutual Wealth dealt with a case of this nature.

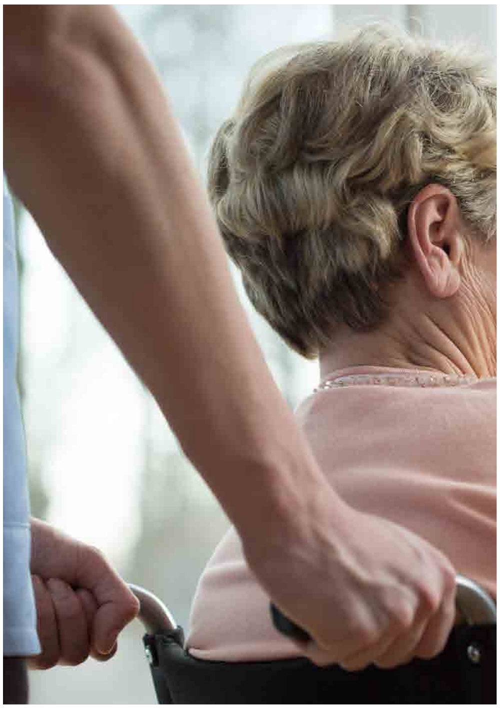
One way to reduce the pressure on frontline staff could be to remove certain targets for the length of calls, to provide handlers with the appropriate time and space to appropriately deal with a customer and explore their circumstances in more detail should they deem them vulnerable.

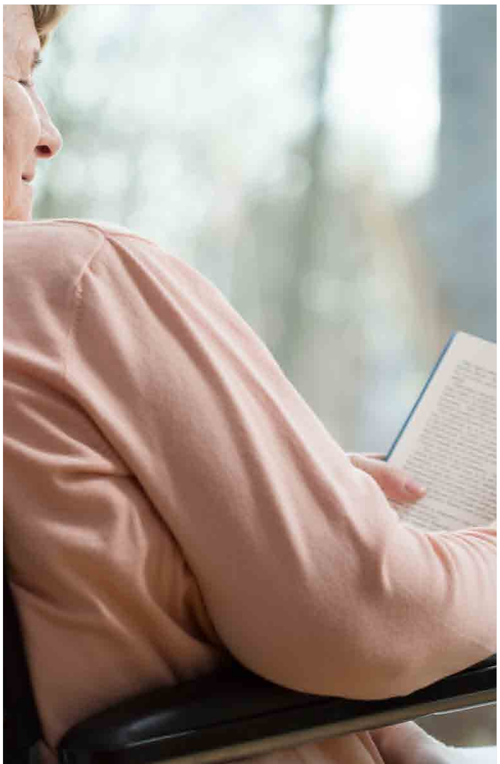
Similarly, frontline staff should be empowered to think outside the box. Solutions for supporting customers do not have to be complex to be effective; they could be as simple as asking the customer directly (if appropriate) what type of support works for them or writing key trigger words/phrases on Post-It notes and having these visible to them to prompt recollection of previous discussions. Having internal forums which allow staff to share their experiences and methods can encourage frontline staff to think in this way.

With this in mind, it should be noted that there is inevitably a considerable amount of pressure and responsibility laid at the feet of frontline staff. In addition to being able to accurately spot, record and support vulnerable customers and being alert to potential scams – frontline staff are also tasked with delivering pension flexibilities and a positive customer experience. Thought should therefore be given to how frontline staff can be sufficiently trained and supported in order to fulfil what can be a highly demanding role.

CASE STUDY 23: OLD MUTUAL WEALTH

Old Mutual uses recordings of customer calls and shares them as podcasts with staff to demonstrate how to handle certain cases. The practice encourages staff to critique and comment on existing practices, and make suggestions about how to continually improve existing structures. They also give a flavour of how some of their practices and policies may impact the customer and therefore help provide context for future change.





CASE STUDY 24: OLD MUTUAL WEALTH

As part of its vulnerable customer work, Old Mutual Wealth have created awareness material that helps our teams to identify where a customer may need extra assistance due to vulnerability.

Old Mutual has also set up a management distribution list, so that while its service to vulnerable customers evolves, it can escalate customers that require additional support for a quick resolution.

One of their Customer Service Centre team received a call from Mr Jones and sent the following escalation through to its vulnerable customers distribution list:

"I have had a very distressed customer on the phone this morning, currently has some pension transfers coming into us and requires tax-free cash, one payment for about £24,000 is ready but we are not sending it until Wednesday/Thursday by CHAPS.

Mr Jones has been extremely distressed, he has told me his wife left him in December, with no money and kicked him out. He has not seen his children since then and has had no money either to live off.

Mr Jones is in desperate need of his TFC so he can start moving on securing private accommodation, have food to live off. He has mentioned a couple of times about committing suicide.

I am really concerned for him can we do anything to get at the very least some money to him immediately even if it's a £100 just so he can buy some food today and the rest can follow in a couple of days."

As the above alludes to, in this situation, Old Mutual's standard processing terms and timescales would not normally allow for a payment before the scheduled date.

However, as this case was identified by the Customer Service Centre and because the correct managers were on the distribution list, Old Mutual were able to make a payment so that the customer received the full amount on that same day. Furthermore, Old Mutual were able to identify that a further transfer from another provider had just arrived, so were able to send an additional £12,000 at this point too.

CASE STUDY 25: ZURICH VULNERABLE CUSTOMER AWARENESS ONLINE TRAINING MODULE

In addition to providing face-to-face vulnerable customer awareness training to over 850 frontline staff, all staff are now required to complete in-house online vulnerable customer awareness training modules. Zurich felt it was important to provide visibility and understanding to all staff given the varying level and types of vulnerability present within their client base. Designed to be thought provoking and interactive, the module is split into three segments: to promote understanding of vulnerability; understand how best to identify vulnerable customers; and how to support vulnerable people - not just within their customer base but within the working environment too. The module aims to help employees consider the things often taken for granted on a daily basis, against those people who live their lives through a different lens. It also provides an interactive element which raises awareness to the level of vulnerability, and the less visible vulnerabilities that are less well known.

Figure 4: Screen grab from Zurich's Vulnerable Customer Awareness Online Training Module

CASE STUDY 26: ABI AND BIBA CODE OF GOOD PRACTICE REGARDING SUPPORT FOR POTENTIALLY VULNERABLE MOTOR AND HOUSEHOLD CUSTOMERS AT RENEWAL

In 2016, The Association of British Insurers (ABI) and the British Insurance Brokers' Association (BIBA) launched a joint Code of Good Practice to help insurers and insurance brokers recognise and help potentially vulnerable customers, who may need extra support when renewing motor and home insurance policies.

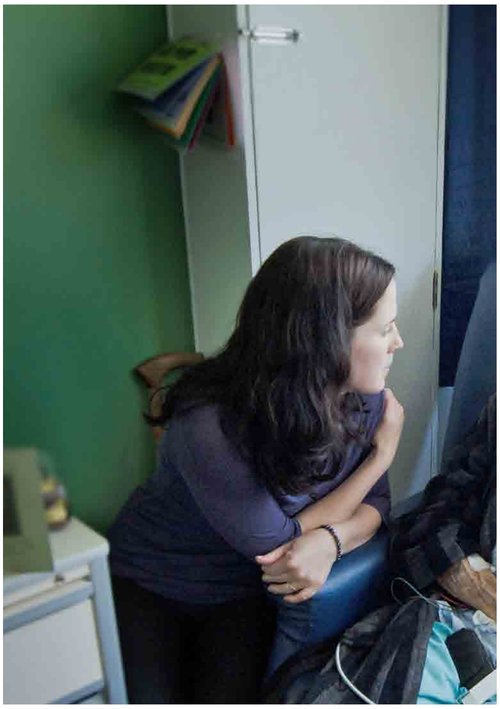
The Code is part of the industry's ongoing work to improve consumer outcomes and to help all customers make the most of competitive motor and home insurance markets at renewal.

Under the Code participating insurers and brokers will:

- Ensure staff are adequately trained to recognise and understand potentially vulnerable customers at renewal and be able to offer flexible options to help address needs (where necessary).
- Periodically review legacy policies to, where possible, identify vulnerable customers to ensure they are aware of any more suitable alternative products now available.
- Ask potentially vulnerable customers at renewal if their current policy and renewal terms meet their needs, and make clear the importance of reviewing their cover.
- Consider if additional communication, for example a telephone call, is needed to help vulnerable customers through the renewal process.
- Ensure that the customer's options, and how they can exercise them, are always clearly set out.

SUMMARY OF STEPS FIRMS COULD TAKE:

- Offer training courses for all staff, particular those in frontline positions.
- Use customer (and family) feedback to identify gaps in processes or staff expertise.
- Invite external experts to provide staff training.
- Invite external experts to audit existing practices around identification.
- Use recordings of calls to demonstrate how best to handle to certain cases.
- Introduce a staff appraisal metric on vulnerability.
- Regularly review internal processes.
- Remove any time-related targets for frontline staff.



Principle 9: Firms should put in place support for vulnerable customers which is good for all customers.

OP8 states the "fair treatment of all customers is central to core conduct"[15]. With this in mind, it is clear that both customers and firms can benefit from the implementation of practices, training and systems that are beneficial for all. In addition to the various legal and regulatory requirements around how firms treat their customers, including the Equality Act 2010, the Consumer Protection from Unfair Trading Regulations 2008, and the Mental Capacity Act (England and Wales) 2005, there are many commercial reasons why a firm should choose to improve its current practices. For example, research has found that treating customers who may be in a difficult situation with flexibility and offering options such as forbearance where appropriate is likely to lead to better outcomes.

Improving processes for all customers can also increase the loyalty of a firms' client base. By contrast, insensitive or inflexible treatment of a consumer in a difficult situation can have a long-lasting negative effect on the customer's perception of the firm, as well as the perceptions of people who may be supporting the customer. So whilst updating communications materials or reviewing support services may incur costs in the short term, they are likely to outweigh the costs of acquiring new customers which is often more expensive than retaining those firms already have. Moreover, how a firm treats vulnerable consumers can also increase that firm's reputation and protect it from reputational risk.

CASE STUDY 27: ABI MAKING RETIREMENT CHOICES CLEAR GUIDE

In November 2016, the ABI launched Making Retirement Choices Clear – a simplified pensions language guide, designed to help ensure that language relating to the retirement choices introduced on 6 April 2015 is explained and communicated to customers across the whole long term savings sector in a clear, consistent manner, avoiding technical terms where possible.

Following the implementation of the pension reforms, the ABI identified that the new options and products were being communicated to customers in a number of different ways, with jargon often used. Consequently, customers were often confused about the options available to them leading to an inability to compare products. The adoption of the guide will ensure all customers are able to better understand and engage with their retirement options.

SUMMARY OF STEPS FIRMS COULD TAKE:

- Adopt the language within Making Retirement Choices Clear to ensure consistency across the sector.
- Initiate mystery shopping exercises of customer processes.

15 FCA, 2015, Occasional Paper No. 8: Consumer Vulnerability https://www.fca.org.uk/publication/occasional-papers/occasional-paper-8.pdf

Principle 10: Firms should ensure that all current processes for raising awareness of and preventing scams and financial abuse are effective for all customers, specifically those who may be vulnerable.

All customers are at risk from scams but vulnerable customers are often deemed a more attractive target in the eyes of fraudsters. New forms of pension scam are continually emerging and following the pension freedoms, a range of new types of scam have been developed.

Many of these scams use cold calling to contact customers and the proposed ban would therefore have a positive outcome on the level of fraudulent activity. However ongoing work to prevent scams is largely dependent on public awareness and providers should make efforts to provide the necessary information to all customers, especially those who are vulnerable and any persons acting on their behalf. Limiting the statutory right to transfer and making it more difficult to open fraudulent schemes will further assist with preventing pension scams.

In addition to preventing scams and fraud, providers must also remain vigilant for cases of financial abuse that can often be initiated by a client's family member(s) or friend. According to joint report by Refuge and the Cooperative, one in five adults is a victim of financial abuse at some point in their life[16].

In these circumstances, providers have a range of methods at their disposal which enables them to arrive at a safe outcome for the customer. For example, a member of staff may suspect that a customer is under duress or, for a variety of reasons, has not fully comprehended the information, guidance or warnings provided to them by the firm about a decision they wish to take. These cases can be immediately escalated either to a senior member of staff or someone with relevant expertise. Following a review of the context behind the customer request, staff should consider whether there will be any material loss to the client or any potential conflicts of interest.

CASE STUDY 28: ABI MEMBER PROTECTING A VULNERABLE CUSTOMER FROM FINANCIAL ABUSE

A provider recently had a case where the son of an existing equity release client requested to extract money from the equity of his parent's home to pay a £64,000 court bill, which had arisen by defrauding another family member.

The son attempted to impersonate his father over the phone but was unable to provide any evidence to the adviser that he was the client.

When the clients (the parents of the son) eventually spoke to the adviser on the phone, the adviser suspected they were under duress as they refused a visit of the adviser to the property and would not disclose the reason for the money.

The case was referred to an internal panel of senior managers and it was decided that as well as being a risk for the firm, the request was likely to cause significant detriment to the client. The request was therefore declined.

16 The Co-Operative Bank/Refuge, 2015, Money Matters: Research into the extent and nature of financial abuse within intimate relationships in the UK https://www.co-operativebank.co.uk/news/2015/returning-to-ethical-campaigning

Certain requests will also require that a number of checks and balances are satisfied. For example, if a customer (or carer/family member/other third party) wishes to withdraw money, include a guarantee period, add death benefits or add a dependent on to the product, firms may require that a power of attorney is established or that the adviser be present. Manufacturing customer journeys in this way will help maintain the correct balance between consumer protection and consumer outcome.

CASE STUDY 29: THE PENSIONS REGULATOR - 10 STEPS TO PROTECT YOUR PENSION

1. Be wary of cold calls and unsolicited texts or emails
2. Check everything for yourself
3. Make sure your adviser is on the Financial Conduct Authority approved register
4. Check the FCA's list of known scams
5. Steer clear of overseas investment deals
6. Don't fall for 'guaranteed' returns or professional looking websites or brochures
7. Don't be rushed into a decision
8. If you're aged 50 or over and have a DC pension, talk to Pension Wise
9. Ask The Pension Advisory Service for help if you have doubts
10. Contact your provider and call Action Fraud if you've already signed and think you've been scammed.

For more information, visit: **http://www.thepensionsregulator.gov.uk/individuals/dangers-of-pension-scams.aspx**.

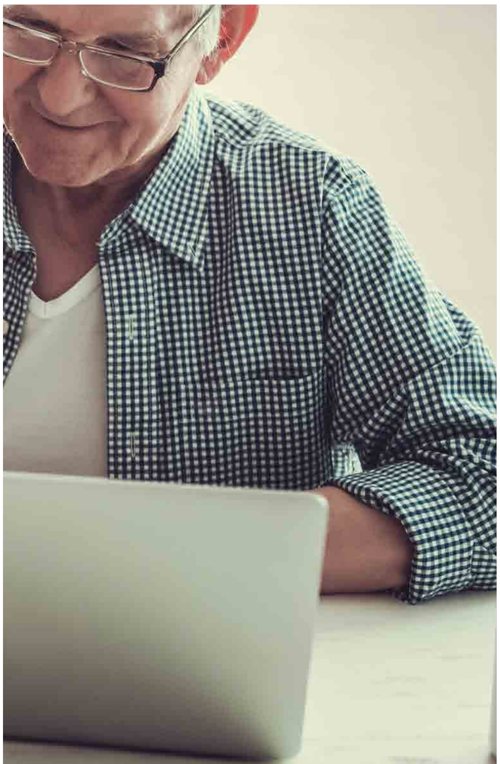
CASE STUDY 30: FCA: 10 STEPS TO AVOID UNAUTHORISED FIRMS

1. Reject cold calls
2. Stop sending money
3. Check if a firm is authorised or registered
4. Search our list of unauthorised firms
5. Beware of cloned firms
6. Make additional checks
7. See warnings from abroad
8. Report an unauthorised firm
9. Beware of further scams
10. Beware of fake liquidators

For more information, visit: **https://www.fca.org.uk/consumers/avoid-scams-unauthorised-firms**.

SUMMARY OF STEPS FIRMS COULD TAKE:

- Adapt customer journeys for cases suspected as fraudulent to ensure staff can review and intervene if necessary and to prevent the withdrawal of money.
- Provide scam awareness advice to customers.
- Work together with public bodies and other organisations to raise awareness of the risks of fraud and scams, and how to avoid them.
- Work with public bodies and other organisations to raise the profile of financial abuse and offer support to victims.
- Train staff how to spot signs of fraud, scams and financial abuse.



ABI Vulnerability Working Party

Aviva

B&CE

Fidelity

Just

LV=

MetLife

Old Mutual Wealth

Phoenix

Prudential

ReAssure

Retirement Advantage

Rothesay Life

Royal London

Scottish Widows

Standard Life

Sun Life Financial of Canada

Zurich

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Notes

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