Consumer Vulnerability Policy

Purpose

The Right Mortgage & Protection Network understands the increased risks involved in transacting financial services products for consumers who are in a vulnerable position; both for the consumer who could more easily be subjected to inappropriate recommendations and actions as well as to network members in terms of potential consequences if they fail to properly identify when a consumer may be in a vulnerable state.

This policy document sets out the network's approach to dealing with consumer vulnerability issues, stating methods for identifying consumers who find themselves in a position of vulnerability and the special measures that may be implemented to provide the additional support for such individuals.

Definition of Consumer

It is noted that regulatory guidance refers to firm's having appropriate systems in place for consumers. For the purpose of this policy a consumer is any potential customer who enquires about the service or considers purchasing a financial services product from any firm within the network or any existing customer for whom such a service has been provided, by the firm, in the past.

Vulnerability

'Vulnerability' is often associated with visible frailty or observable distress, but the reality is that vulnerability is more than just the obvious and it can impact on people at any time, often just for a relatively short period, so it is not always easy to spot.

Throughout this policy we refer to 'vulnerable people' and 'vulnerability' for ease and clarity. However, it's important to emphasise that those we refer to are not a special category of people with a unique set of identifiers and characteristics, they can be people of all ages, backgrounds and situations. 'Vulnerability' itself is as diverse as the people it affects – and understanding and appreciating this diversity and complexity is key to understanding the impact it has on people's financial lives.

Consequences of Vulnerability

Whilst the immediate experience of vulnerability is incredibly personal, the everyday consequences of vulnerability are often similar across different cases. Research commissioned by the FCA found impacts of vulnerability which included:

- Heightened stress levels due to difficult personal circumstances
- Increasing time pressures, leaving less time for 'personal admin'
- Increasing pre-occupation – 'brain is elsewhere' – limiting ability to manage
- Processing power and ability decreases due to competing pressures (e.g. side effects of treatment or emotional distress)
- Lack of perspective, especially when experiencing something for the first time – and therefore not fully understanding the broader implications, unable to make comparisons, or see the 'bigger picture'
- Changing attitudes towards taking risks – people often become more 'reckless' and / or careless at moments of stress

Although not all vulnerable individuals face all of these practical challenges, many have moments where they feel unable to cope. This can be characterised by a sense of feeling overwhelmed, being distracted by other issues, feeling under pressure, or finding it difficult to prioritise. All these factors are recognised to lead to sub-optimal decision-making – including in interactions with financial services firms – where individuals behave in ways that end up making their situation worse.

The network is mindful that, on occasions, advisers will come into contact with customers in a vulnerable state and that the service should be tailored to meet the individual needs of the customer. Failure to identify these situations and to adapt the service could lead to regulatory breach. Much worse it may lead to poor customer outcomes with dire financial consequences. In these situations it is likely to lead to complaints and, eventually, compensation.

The network's approach is therefore to make appropriate steps to deliver a tailored service for the customers' needs and to take great care to present information in a clear way, giving the customer the time and access to other resources or third parties who can help them to make an informed choice.

Identifying Vulnerable Consumers

Identifying a customer who is in a vulnerable state is not always easy. There are obvious signs that may be visible in many instances, but not in all cases. For those not meeting the customer (face to face) then these visible cues will be absent from the interaction in any event. Therefore identifying a vulnerable customer requires a greater level of awareness. The key to this is to ask appropriate questions and take note of how the individual responds. Sometimes the clues are in their responses, for example, "I've just lost my partner and am looking for assistance with purchasing my next home" tells you that the individual is recently bereaved and likely to be under incredible stress. Otherwise, for example, when arranging income or life protection they may disclose an illness or disability, again making their vulnerability obvious.

In other situations it will require you to pick up on other signals. Examples of which are as follows:

- An inability to hear or understand what is being said
- Poor English language skills
- Repeated questions of a similar nature
- Comments or answers which are inconsistent with the telephone discussion or which indicate they have not understood the information which has been provided.
- Verbal confirmation that they don't understand or that they require the assistance of somebody else in making a decision
- A request for information to be provided in a different format, such as large print or braille

Another thing to consider is the difference between mental capacity and financial literacy. Limited mental capacity is a consequence of the individuals state of mind – dementia being an example – whereas poor financial literacy is a result of inexperience in dealing with financial matters, for example first time buyers with little previous credit/banking history, or a right to buy purchase for an elderly customer may indicate this.

Failure to identify a vulnerable customer is not a criminal offence nor a specific regulatory breach (in isolation), but in accordance with the principles of treating customers fairly and on the basis of network members providing the best service possible to all customers we expect advisers to look for signs of vulnerability and to tailor the service as appropriate.

Having limited consideration for vulnerable consumers could be seen as a breach of general regulatory systems and controls which could lead to network or regulatory censure and, in the event of a complaint where a customer can successfully challenge that their vulnerability at the time of the transaction was obvious then this would significantly reduce the likelihood of defending any complaint.

Servicing Vulnerable Consumers

Just because somebody is vulnerable it does not automatically mean that they are unsuitable for the products and services the firm supplies. As soon as we think we may be engaging with a Vulnerable Consumer we should immediately make a record of this and ensure we adhere to the network policy. Bear in mind the data protection act requirements on holding sensitive data and the individual’s rights to access personal and sensitive data held by your firm, so any record of their vulnerability should be discrete and recorded sensitively.

It is also worth noting that vulnerability can occur at a later stage in your dealings with customers and can on occasions be a temporary situation, so this should be considered in your dealings with the customer over time. A good approach would be to be in the habit of asking the customer if there has been any change to their situation, both financially and personally/medically since last speaking to/meeting them.

In any event, upon having identified a vulnerable customer, the adviser would be expected to make an assessment as to the suitability of a significant financial transaction at this time. Questions the adviser should consider of themselves would include: “is this customer mentally/emotionally capable of making a decision” or “should I present information to the customer in a way that is easier for them to understand” or “should I ensure that the customer takes a little longer to consider my advice before making a decision”? If the answer to these questions is yes then you need to adapt your approach.

Where appropriate you should then take extra care in servicing the customer. If your firm’s normal service is non-face to face or the customer is at a distance you should consider if you feel a face to face meeting would be more appropriate. In these situations the network could help facilitate a service with an adviser who is closer to the customer.

In most situations it will likely just require additional care and time, for example taking longer to explain things, maybe over several conversations. Avoid using jargon and ensure the customer understands the text and terminology in the documents you present. If you feel they are struggling to comprehend then suggest that they ask a competent, financially experienced friend to assist them or use other independent services like the Money Advice Service or Citizens Advice Bureau.

In the most severe cases it would be advisable to ask the customer if they wish to appoint someone close to them that can assist them through the meetings and advice process or to add an extra meeting / phone call to include a third party (as a chaperone) to reiterate the key pieces of information and to check the individuals understanding of what you have recommended.

If appointing a third party care should be taken to ensure that the customer’s authority to discuss their application or to share information is obtained and recorded on the file.

Given that vulnerability takes many firms and has different levels of severity it may be difficult to know how best to proceed. If you need any further guidance then speak to a senior person in your firm or contact your network Compliance Manager.

Summary

Vulnerability can often present itself through obvious signs, but this is not always the case. An adviser should look for other clues and ask appropriate (but sensitive) questions to establish if a customer is vulnerable.

Signs of vulnerability will include poor language skills or general lack of comprehension. Customer's may also appear distracted or ask repeated questions of a similar nature.

Consider if vulnerability could be through mental capacity (i.e. a mental illness such as stress, depression or dementia) or poor financial literacy (lack of financial experience).

Failure to recognise a vulnerable customer could lead to an inability to defend a complaint later on.

Where you identify a vulnerable customer you should take additional steps to ensure that the best outcome for the customer is secured. This could include, but is not limited to:

- Take more time to explain the process and, in particular the products
- Avoid using technical terms or jargon
- Keep checking the customer's understanding: "does that make sense?" or ask the customer replay back to you what that think you have said
- Take time to explain documents that have been presented to the customer
- Add an extra meeting into the usual process to reiterate key information
- In some cases it might be advisable for the customer to appoint a third party to support their decision making
- For non-face to face customers, in severe situations, you might wish to offer a more local service through another network member
- If unsure or for further guidance, speak to your Compliance Manager