

# **FCA Consultation GC20/3 Guidance for firms on the fair treatment of vulnerable customers**

## **Submission by The Financial Inclusion Centre**

### **About the Financial Inclusion Centre**

The Financial Inclusion Centre is an independent, not-for-profit policy and research group. Its mission is to promote a financial system and financial markets that work for society. The Centre works at two main levels.

- **Promoting system-level change** We undertake research and develop policy to promote sustainable, resilient, economically and socially useful financial markets that: benefit the environment; encourage responsible corporate behaviours and create a positive social impact; and efficiently allocate long-term financial resources to the real economy.
- **Promoting economic and social justice** We promote fair and inclusive, efficient, well-governed and accountable, properly regulated financial services that meet households' core financial needs. To do this, we undertake research into the causes of market failure in the sector, formulate policies to address that market failure, develop alternative solutions where the market cannot deliver, and campaign for market reform.

### **Introduction**

We are pleased to submit a response to this very important consultation. We have provided our response to the specific questions in the consultation paper. We would also ask the team to read the Annexes to this response.

It is surprising how many consumers can be vulnerable at different points of their lives. The FCA, in its Financial Lives Survey 2020, estimated that 46 percent of UK adults display one or more characteristics of being potentially vulnerable.

But, there are clearly degrees of vulnerability. Some consumers will experience significantly more harm than the 46 percent of consumers identified in Financial Lives. Certain groups will face what we term compound detriment as a result of having multiple characteristics of vulnerability. There is a risk that if firms and the FCA try to address the vulnerabilities and harm (sometimes fairly minor) experienced by millions of consumers, the needs of the most vulnerable may be overlooked. We think it is important, therefore, for the FCA to ensure that firms use vulnerability models that identify and prioritise the needs of the most vulnerable consumers.

To illustrate this point, in the Annexes, we highlight the experiences of a particularly vulnerable group of customers – those who are severely disabled, and their carers and representatives. We have included an anonymised case study to illustrate this. We have also included some specific recommendations for the FCA and firms to ensure that these vulnerable groups are treated fairly and with respect and dignity.

We would also ask that the FCA reads our Briefing Paper: Dealing with Financial Vulnerability<sup>1</sup> in conjunction with this submission. The briefing paper discusses:

- What is financial vulnerability, and what causes it; and
- What firms, regulators, and policymakers can do to tackle individual vulnerability, structural and systemic harm, and enhance consumers' rights.

This submission was written by Mick McAteer and Professor Nigel Waite

For further information or questions please contact [mick.mcateer@inclusioncentre.org.uk](mailto:mick.mcateer@inclusioncentre.org.uk)

September 2020

---

<sup>1</sup> <http://inclusioncentre.co.uk/wordpress29/wp-content/uploads/2020/08/FINANCIAL-INCLUSION-CENTRE-FINANCIAL-VULNERABILITY-BRIEFING-PAPER-FINAL.pdf>

## RESPONSE TO SPECIFIC QUESTIONS

### Q1: Do you have any comments on our assessment of equality and diversity considerations of our proposed Guidance?

The FCA is to be commended for the work it has done on financial vulnerability. But, we do not believe the FCA's approach – and, more importantly, the legislative framework in the UK – is sufficient to address the harm experienced by groups with protected characteristics.

In some cases, there is clear evidence of structural unfairness and discrimination in markets. An egregious example of this was the way overdraft pricing practices in the current account market were shown by FCA analysis to disproportionately harm BAME, disabled, and poorest households. In our view, this was not just a case of 'market failure', it was outright financial discrimination.

The FCA has tried to tackle the structural unfairness in the overdraft market. But, despite the FCA's welcome reforms of the current account market, the poorest, most vulnerable banking customers will still pay significantly more for overdrafts.

Moreover, the FCA has refused to take action against our major banks for either deliberately using pricing models which discriminated against BAME, disabled, and the poorest households or failing to have systems and controls in place to prevent this.

As with many areas of life, BAME and disabled households can face structural and systemic discrimination in financial services. Disabled households and a number of ethnic groups face a significant wage gap compared to their white British counterparts.<sup>2</sup> And, as we know, lower income groups tend to face higher levels of financial exclusion, will have less access to good quality products and services than their better off counterparts, and are more vulnerable to financial harm if things go wrong.

We would argue that the UK needs to adopt more social policy interventions if we want to seriously tackle financial exclusion, unfairness, and discrimination. The FCA can 'have regard' to how easy it is for consumers to access financial services when advancing its competition objective. As a public sector body, it also has obligations under section 149 of the Equality Act 2010.

But, the FCA does not have a specific responsibility to ensure access for all consumers, a general objective to promote financial inclusion, or a specific requirement to assess markets and report on their performance against financial inclusion objectives.

We argue for the FCA to be given a more explicit financial inclusion objective, to be required to produce detailed financial inclusion performance reports, and for firms to produce annual financial inclusion reports. These reports should include an assessment of the experience of groups with protected characteristics and treatment of these groups by financial institutions.<sup>3</sup>

---

<sup>2</sup> <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/disability/articles/disabilitypaygapsintheuk/2018>  
<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/ethnicitypaygapsingreatbritain/2018>

<sup>3</sup> To address this, we also argue for a UK version of the US Community Reinvestment Act (CRA) and Home Mortgage Disclosure Act (HMDA). These acts require US financial institutions to play a more active role in promoting inclusion and access, and impose robust transparency and disclosure measures on firms which allow civil society to hold firms to account.

It is, of course, a matter for government to introduce the necessary legislation to provide the FCA with these objectives and duties. But, the FCA could enhance the work it does on the issue even without further legislation. For example, we argue that the FCA should publish a regular financial inclusion and discrimination audit which would assess how well the financial services industry (and sectors) is meeting the needs of groups with protected characteristics.

We will not properly address financial discrimination unless we have full transparency and actively enforced legislation that protects households and communities against structural discrimination.

We are very encouraged by the words of incoming FCA CEO, Nikhil Rathi, who has stated that he intends to make diversity within the financial services industry a priority. It is to be hoped that, if the FCA succeeds on this, this will translate into the industry better serving consumers with protected characteristics. But, we will not know whether this is successful without greater disclosure and transparency on how well the financial services industry is treating consumers with protected characteristics.

As part of the financial inclusion and discrimination audits, the FCA should report to the government and Treasury Committee on how well the industry is serving households with protected characteristics with recommendations on corrective actions.

## **Q2: Do you have any feedback on the updated draft Guidance?**

The updated draft Guidance is very welcome and should be very helpful to firms and consumer representatives who would like to understand more clearly what might constitute good practice.

We would express the steps firms should go through to treat vulnerable customers fairly in a slightly different format. We can say a firm treats vulnerable customers fairly if it does enough to:

- identify which customers might be vulnerable;
- understand the conditions that might create vulnerability;
- understand what detriment might arise from exploiting vulnerability (deliberately or inadvertently); and
- ensure it has the proper culture, products, and systems in place to provide the right levels of care and to avoid detriment.

Firms can avoid detriment in a number of ways. This is not an exhaustive list, but firms can:

- Ensure they have fair and equitable pricing policies that do not take advantage of vulnerability. An obvious example is not exploiting customer inertia or misguided trust to hike up automatic renewal prices on insurance policies.
- Have remuneration policies which reward quality of sales and fair treatment, rather than volume of sales or targets.
- Stress test products and services against recognised vulnerability characteristics to assess capacity for causing harm (in the same way firms would financially stress test a mortgage book or a structured investment product). This is best done using external, independent experts who will provide objective insights.
- Stress test products and services with consumers in the target market to ensure they understand the product and important terms and conditions.
- Do more to make consumers aware of risks inherent in complex financial products or the costs involved. These should be more prominently displayed on marketing and promotional

material. This is not easy for marketing departments who have an understandable preference for telling consumers how wonderful their products are and downplaying the costs and risks.

- For products and services sold on-line, there is plenty of scope for firms to test consumer understanding of products. Fintech can be used to test consumer understanding of product key features and costs before allowing the consumer to proceed with a purchase.<sup>4</sup> For example, consumers could be asked to confirm understanding of exclusions in insurance policies or renewal prices before being allowed to confirm purchase.
- Have clear policies on dealing with vulnerability and ensure staff at all levels (including boards) are trained to recognise the vulnerability characteristics of customers (existing and potential) in its target markets.
- Take time to explain the product features, costs, and terms and conditions. Importantly, where products are distributed by intermediaries, these critical links in the supply chain have an important role to play in explaining products.
- Use data and analytical tools in a positive way. For example, to identify individual customer behaviours – such as unusual spending patterns - which suggest that those customers are vulnerable. Or use data to identify patterns of detriment. For example, looking for evidence of a new product or distribution strategy creating detriment amongst a group of customers who share vulnerability characteristics.
- Engage and consult with external experts to better understand the specific needs of vulnerable groups.
- ‘Level up’ the experience of customers who may find it hard to engage with or use services. Vulnerable citizens don’t want ‘special’ treatment – they just want to be able to experience services in the same way as a typical customer. Many firms already do much to make services more accessible for disabled or visually-impaired customers. But, it is more than this. Vulnerability isn’t always obvious. Many customers may just feel overawed or alienated by the surroundings associated with financial services. Access to a basic bank account is now a legal right. Before this, we had self-regulation. It was clear that certain banks and building societies went the extra mile to help excluded consumers, who may not have been used to formal financial services, open basic bank accounts. Others made it difficult for potential customers. Not surprisingly, the ‘good guys’ ended up with a disproportionately higher share of unprofitable accounts.
- These steps should apply, where relevant, at each part of the sales process and supply chain – from product design and development, to point of sale, through to post sale relationships.
- Of course, it would be better if firms limited the manufacturing of complex or costly products in the first place. Complexity increases the risk of consumer vulnerability translating into actual financial detriment. This is not always possible but there is a great deal of spurious complexity and ‘innovation’ in financial services. The majority of consumers have fairly basic, standard needs that are best met by simple, easy to understand products and services.

As mentioned in the Introduction, one issue we believe requires more emphasis is that of compound detriment and vulnerability. The FCA, in its Financial Lives Survey 2020, estimated that 46 percent of UK adults display one or more characteristics of being potentially vulnerable.

---

<sup>4</sup> We have been sceptical about the potential benefits of fintech. See: Financial Inclusion Centre, Fintech: beware of geeks bearing gifts? <http://inclusioncentre.co.uk/wordpress29/our-work/publications/fintech-beware-of-geeks-bearing-gifts>  
But, there is potential for developing financial capability tools that allow consumers to undertake real time tests of their understanding of products before going ahead with the purchase.

But, there are clearly degrees of vulnerability. Some consumers will experience significantly more harm than the 46 percent of consumers identified in the Financial Lives survey. Certain groups will face what we term compound detriment as a result of having multiple characteristics of vulnerability. There is a risk that if firms and the FCA try to address the vulnerabilities and harm (sometimes fairly minor) experienced by millions of consumers, the result will be superficial interventions and the needs of the most vulnerable may be overlooked.

To illustrate this point, in the Annexes, we highlight the experiences of a particularly vulnerable group of customers – those who are severely disabled, and their carers and representatives. We have included specific recommendations for the FCA and firms to ensure this vulnerable group is treated fairly and with respect and dignity.

Therefore, we would urge the FCA to enhance the Guidance to include additional requirements for firms with regards to the treatment of the most vulnerable customers and, specifically, disabled customers and their carers. This Guidance should include:

- the requirement to use vulnerability models and processes that identify and prioritise the needs of the most vulnerable consumers; and
- minimum standards with regards to providing accessible services, and treating those customers and carers fairly and with dignity and respect.

### **Q3: Do you have any feedback on our cost benefit analysis?**

We agree with the overall approach to cost-benefit analysis adopted by the FCA. But, we have a number of comments.

The FCA states that it estimates that the industry currently incurs annual costs of £1.4 billion in relation to approaching treating vulnerable customers fairly. We do not think this should be framed in this way. There is a risk that those who want to push back on treating vulnerable customers fairly will seize on this and portray this as an additional cost of business imposed by regulators on firms.

This is not an additional cost of doing business. This is a normal, core cost of delivering services to a reasonable standard to all customers. There is nothing in the FCA's regulations or guidance that requires more than would be expected of any well run business that seeks to treat all of its customers fairly and with respect. It is important that the FCA 'normalises' treating vulnerable customers fairly, not let it be seen as an additional or exceptional cost item.

The FCA also states that it has no evidence to suggest that the current harm arising from unfair treatment of vulnerable consumers is likely to increase or reduce as a result of trends and current initiatives in the market. We do not necessarily agree with this. We think there are a number of market dynamics which mean that, as we emerge from the Covid economic crisis, the risk of vulnerable consumers being exploited by firms will increase.

Due to the FCA's Covid effective interventions lenders, other creditors, and debt collection firms have been exercising forbearance towards vulnerable customers. Once these forbearance measures

come to an end, we believe firms will seek to recoup losses and recover arrears. More generally, as we emerge from the Covid recession, firms will be under pressure from shareholders to rebuild revenues and profit margins. The incomes of many households will be squeezed as the furlough scheme is wound down. These households are likely to need to seek credit to make ends meet. But, given the circumstances they face, they are likely to find obtaining mainstream credit difficult and will have to turn to sub prime credit. On the pensions and investment side, the impact of Covid on portfolios means that investors and pension savers will be vulnerable to misselling of pension and investment 'recovery plans'. Details of these risks can be found in our report *Dealing with the immediate and longer term impacts of the Covid-19 pandemic*.<sup>5</sup>

**Q4: Do you have feedback on what we should prioritise when monitoring firms' treatment of vulnerable consumers?**

There is always a tension between the commercial imperative and profit motive, and the obligation to treat customers fairly. As a result of the market dynamics described in our response to Q3, there will be identifiable groups of consumers who will be particularly vulnerable to being exploited by firms under pressure to rebuild revenues and profits, or to take advantage of the anxiety created by Covid. So, we would argue that the FCA should ramp up supervision and enforcement activity to protect vulnerable consumers from the enhanced risks.

Specifically, as we described in our response to Q2, we would argue that the FCA should prioritise the protection of the most vulnerable consumers experiencing compound detriment. In particular, we have raised the issue of disabled customers and their carers.

**Q5: What types of information do you envisage it would be necessary for firms to collect, to assess the effectiveness of their policies and processes in respect of vulnerable consumers?**

We can say a firm treats vulnerable customers fairly if it does enough to:

- identify which customers might be vulnerable;
- understand the conditions and factors that might create vulnerability;
- understand what detriment might arise from exploiting vulnerability (deliberately or inadvertently); and
- ensure it has the proper culture, products, and systems in place to provide the right levels of care and to avoid detriment.

We identify the following conditions and practices that increase the risk that firms will exploit customer vulnerabilities:

- aggressive business models focused on the acquisition of market share and churning
- remuneration practices which reward staff for volume of sales rather than quality of sales
- negative application of technology and data
- the use of confusion marketing
- product complexity

---

<sup>5</sup> See: <http://inclusioncentre.co.uk/wordpress29/wp-content/uploads/2020/08/Financial-Inclusion-Centre-Covid19-Extraordinary-times-need-extraordinary-measures-May-2020.pdf>

- poor culture, governance, and ethical standards in the firm

The detriments that consumers can experience include:

- being excluded from/ denied access to markets
- overpaying for products and services
- being missold or scammed
- making the wrong financial decisions and choices
- inability to manage finances
- over or under-consumption of products (eg. overindebtedness or undersaving)
- experiencing emotional stress

Boards and senior management should ensure that their risk management systems incorporate the gathering and analysis of appropriate information that allows the firm to: identify which customers might be vulnerable; identify conditions and practices which might exploit vulnerable customers; and measure levels of detriment experienced by customers.

When there is evidence of large numbers of a firm's customers with shared characteristics experiencing detriment, this means there is a structural problem in the firm.

**Q6: Do you have any other feedback on our proposals?**

The FCA's work on financial vulnerability is very important. If it is implemented and enforced properly, it could make a real difference to large numbers of vulnerable individuals.

But, the FCA's work focuses primarily on the personal circumstances of consumers and an individual's relationship with an individual firm. This is not a criticism of the FCA. The regulator has to supervise and enforce against individual firms.

The FCA can, of course, launch market studies to investigate practices and features of markets that cause widespread detriment. However, interventions resulting from these market studies are about making the market work better, and do not confer rights on vulnerable consumers.

The FCA talks about fair treatment and fair risk pricing meaning consumers are not unduly excluded. It also talks about how in a market-based economy, consumers do not have an automatic right to receive products and services. There are some specific universal obligations in consumer markets - for example, with regards to postal services, and some telecoms services. In financial services, certain institutions must offer payment accounts with basic features.

But, firms in the UK generally do not have an obligation to provide products and services. Consumer vulnerability is inherent in market based provision of services. The FCA does not tackle systemic vulnerabilities and discrimination.

For example, entire groups consumers can find themselves paying more for, or excluded from, essential financial services just because they are poor or because the market considers them to be a high risk. These are matters for government rather than regulatory policy. So, in any discussion of financial vulnerability, we should not lose sight of the limits of the FCA's remit. In other words, there is a limit to which the FCA, as a market regulator, can tackle systemic vulnerability. Alternative



interventions will be needed to address systemic discrimination and exclusion particularly in the aftermath of the Covid-19 pandemic.

So, we can see that some of the factors and conditions outlined above that create vulnerability relate to individual firm behaviour. Others relate to the dominant structures in markets which increase the risk of widespread and chronic exploitation of consumer vulnerabilities affecting larger groups of consumers. The third category relates to the essential nature of market based systems which mean that certain groups of consumers will not have their needs met.

It is important to distinguish between these different levels of vulnerability as it determines the type and scale of intervention needed to address the financial harms identified.

At the individual firm level, this can be addressed by the firm improving its own culture and practices or the FCA supervising and enforcing against those firms for failing to treat vulnerable consumers fairly.

At the next level, the conditions which cause harm are just so ingrained in the structure and functioning of markets that industry wide initiatives (eg. self-regulation codes of practice) or structural level interventions by regulators are needed.

Of course, we should not overlook the role consumer groups and wider civil society have to play in exposing harm and using public pressure to improve corporate culture and behaviours.

At the third level, even if structural regulatory interventions are effective, the market will still not be able/ want to serve large groups of consumers. Addressing this type of systemic harm requires social policy interventions by legislators to mandate provision by markets or alternatives to market-based provision created.

**Table 1: Summary of levels where vulnerability and harm is created**

Level at which harm is created	Level of intervention needed
Individual firm level	<ul style="list-style-type: none"> <li>• Firm addresses own culture and practices</li> <li>• Regulatory supervision and enforcement</li> </ul>
Market structure level	<ul style="list-style-type: none"> <li>• Industry led initiatives, self-regulation codes of practice</li> <li>• Structural regulatory interventions</li> </ul>
System level	<ul style="list-style-type: none"> <li>• Social policy interventions by legislators such as mandating provision or terms of provision</li> <li>• Alternatives to market-based provision</li> </ul>

Remember, the FCA’s interventions deal with consumers who are already engaging with the market (or who might be included in the market if the FCA’s interventions make the market more efficient and responsive). The FCA does not address the needs of citizens who will never be viable for the market. Nor does the FCA address the possibility that consumers whose needs are currently being met by market-based provision might have those needs met even more efficiently by alternative solutions.

Therefore, we would urge the FCA to work with the government and civil society groups to develop a wider vulnerability framework that allows structural and systemic vulnerability and wider market discrimination to be addressed.

**This marks the end of The Financial Inclusion Centre submission**

## ANNEX 1: CASE STUDY ON DISABLED CUSTOMERS AND CARERS

Underlying the narrative of GC20/3 appears to be a presumption that vulnerable consumers suffer detriment solely as a consequence of the behaviour by industry actors, principally product providers and distributors, who act in ways that contravene the six principals of TCF. An aspect of the debate that appears to have been overlooked so far in the process concerns the rules, regulations and processes associated with individuals seeking to act as representatives of a disabled person, notably, someone suffering from cognitive impairment. The shortcomings of current policy and practice lie with official bodies as well as product providers, but the root cause of detriment originates from the former.

It is perhaps best illustrated by the rules that apply regarding the authorisation of an individual to open and operate a current account on behalf of someone suffering from serious mental incapacity. We have included a case study based upon actual experience which graphically illustrates the problem in practice. The names of the customer and carer have been changed.

### Case Study

*Philip is 37 years old but as a consequence of brain injury sustained as an infant is profoundly handicapped. He is registered blind, is doubly incontinent, cannot talk, walk nor feed himself. It is a hard existence for Philip and also for his aging parents trying to act in his best interests in every aspect of his life. Arising from changes in the benefits system in recent times, Philip's father John was required to take on his son's responsibilities in regard to benefits. To this effect, John has been visited by a representative of the DWP in order to be validated as Philip's authorised representative. This will enable John to act on his son's behalf on matters such as the completion of benefits claim forms and related correspondence. This process of verification by the DWP was exacting, requiring a face-to-face home visit and the examination of a range of original documents to establish ID. In the event, John was judged to be an appropriate representative and was presented with a form BF57 as proof that he is Philip's appointee. The DWP assessor asked John to open a bank account in his son's name with John marked as being mandated to operate the account on behalf of his son.*

*In due course, John contacts Barclays Bank, a customer of which he has been for over 20 years, by phone as the nearest branch is in the next town 10 miles away due to branch closures. John is advised he needs to arrange an appointment with an adviser who handles the opening of non-standard accounts. An appointment is duly made for two weeks hence and John arrives with a range of forms of ID and his DWP form BF57. At the meeting, the adviser tells John he may only open a current account for his son if he is either his deputy for property and finance at the Court of Protection (COP) or has a registered Power of Attorney on behalf of his son. John explains that owing to his son's disabilities he is unable to grant his father POA. That leaves him with only one option, to become a Deputy of the COP.*

*John returns home frustrated at a wasted afternoon but is clear about his next step. He googles Deputy at COP and is faced with a page full of organisations which, to him, seem confusing and all give the impression that they are there to help him. Fortunately for John his first hit is the real COP website. There he finds himself faced with an impenetrable process full of sub routines and supplementary forms to complete with considerable explanatory appendices. He also notices that there is an application fee of £380 and, as one of the estimated of the 40% of the UK population who cannot lay their hands on £500 in a crisis, is about to give up in despair. (Under certain*

*circumstances the application fee and maintenance fee, £100 pounds per year, can be waived but this occurs by way of a refund following upfront payment). John finds the whole COP application process too challenging and the absence of any telephone help line just adds to his difficulties.*

*He goes back to his initial google search and explores some of the other entries. In short, these are typically legal and paralegal firms offering to complete the application form on John's behalf. The fees charged for this service are somewhat opaque but seem to be mostly well in excess of £1,000 and this is of course in addition to the COP fee.*

*A short while later the post arrives with a letter from the Nationwide BS addressed to John's son Philip. It is a statement showing that the £200 John and his wife used to open a deposit account for their son when he was a child is now worth £400. "At last some good news", thinks John as he can use that money to buy new bedding and curtains to brighten up Philip's room. With a spring in his step and armed with the statement, his DWP form BF57 and, for good measure, his passport, driving licence and latest council tax bill, John pays a visit to his nearest Nationwide branch (again in a neighbouring town as his local branch has closed). He tells the cashier he would like to withdraw £350 only to be asked to wait while the cashier confers with a colleague. John is asked to wait in an interview room as he will need to discuss his request with a Personal Adviser as he is not the primary account holder. John shows the Personal Adviser the statement which, as it happens, still shows his name on the statement (John having opened the account when Philip was 3 years old, DWP form BF57 etcetera only to be told that he must be either a Deputy at the COP or be his son's POA in order to act on his behalf.*

*A week later another letter arrives addressed to Philip, this time from ReAssure Insurance, enclosing a statement to the effect that an investment bond his grandparents bought in his name when he was born is now worth £900. A predictable pattern ensues as John telephones ReAssure only to be told that the money may only be accessed if John is a COP Deputy or has a POA for his son.*

*John shares this sorry tale with his cousin Ruth who, as it happens, works for Barclays. Ruth likes a challenge and discovers that Barclays can offer a special appointee account which requires him being neither a COP Deputy nor having POA. But there is a catch, the account will only accept credits relating to benefits and so the cheque for £25 made out to Philip from Ruth for his birthday will have to be returned. Another snag is that once the balance exceeds £2,500 the account becomes frozen. John is in despair.*

This case study is based upon real experience. Numerous other banks were approached with the same scenario and all of those approaches failed owing to the COP, POA requirement. Additionally, wide variations are in evidence with regard to the processes used and possible solutions. Most of the forms of ID required to open a bank account on behalf of a profoundly disabled person are inappropriate. For example, none of the proofs of identify required by Metrobank relate to a person with cognitive impairment (no, not even a valid firearms certificate or shotgun licence), and it only accepts birth certificates for people under sixteen. None of its twelve eligible items re proof of address apply to an individual in residential care.

The case study, and other evidence, point clearly to real financial detriment being caused to disabled people and those who care for them. It lends further credence to the comments in GC 20/3 vis:

Para 1.23 “.....room for improvement and more consistency across the sectors we regulate”.

Para 1.24 “.....the evidence of firms failing to consider the needs of vulnerable consumers, leading to harm”

Therefore, the policies and procedures of providers are greatly lacking in terms of consistency and sensitivity to the needs of the disabled and therefore serve to contravene TCF Outcome 6 re post-sale barriers to switching in addition to Outcome 2 re meeting customer needs. Wheelchair accessibility in branches (when you can get to one) is all well and good but is somewhat tokenistic. What is required is a far more searching and granular appreciation of the needs associated with the spectrum of disabilities which exist. This must come from the top and in pursuit of Outcome 1 re corporate culture this must be driven at board level. A good starting point would be for Chairmen and CEOs to subscribe to the principles developed by initiatives such as *The Valuable 500* re making a commitment to have the needs of disabled customers firmly established as an issue requiring board attention.

Urgent action is necessary to address the challenges faced by those seeking to be authorised to act as the representative of a disabled person. The current reliance on COP Deputyship and POA is resulting in real detriment, especially to those in society not well endowed financially, educationally or in terms of self-confidence and stamina. At the very least, it must be possible for those in possession of a DWP form BF57 to be able to open and operate a current account on behalf of the disabled principal party. Further, it is recommended that the COP, DWP, FCA and other relevant parties convene a process to review the policy regarding authorisation of an individual to act on behalf of a disabled person for the range of retail financial services and products.

The problem does not just apply to what might be considered a relatively small number of people who have incurred some form of brain injury in childhood or, indeed, later. There is a far larger number of older adults who may have succumbed to cognitive impairment as a consequence of some form of dementia and who will not have a POA in place or for whom a Deputyship at the COP is not a practical option.

In Annex 2, below, we have included a set of principles which if adopted would promote a more consistent approach to treating vulnerable customers fairly across the financial services industry.

## **ANNEX 2 – PRINCIPLES FOR TREATING VULNERABLE BANKING CUSTOMERS AND THEIR CARERS FAIRLY**

There is a need for a consistent approach to treating vulnerable customers fairly across the industry that enables them and their carer to set up and switch bank accounts easily, whilst also safeguarding them from exploitation.

Ease of access to current account banking should be a universal right whilst also protecting the interests of vulnerable adults. The right to switch accounts is also a key principle of contemporary banking and is encouraged by Government, regulators, and consumer advocates to ensure customers to get the best deal. Transferability of bank accounts with easy and consistent rules to facilitate this are key.

The current issues around access to banking for vulnerable persons impact not just the primary client, but also their care network. Carers of vulnerable adults are typically worn down by the physical and mental strains, let alone these additional issues. Banks should aim to ease the burden with transparency and consistency, as opposed to causing further strain with bureaucracy.

The average literacy and numeracy age in the UK is 11, add to this the fact that many carers of vulnerable persons are single parent families (due to high incidence of marital/relationship breakdown for parents of disabled children) on low-incomes, time-poor and care-worn, the approach followed by banks summarised below is discriminatory against both the vulnerable person and the carer.

### **Key barriers to the fair treatment of vulnerable banking customers**

- Specific bank processes around setting up bank accounts for vulnerable people are preventing access to banking
- Specific bank requirements for the setting up of bank accounts for vulnerable persons are potentially discriminatory
- The disparate ways current legislative rules are being interpreted by individual banks is blocking access to banking
- There is no clear, consistent industry-wide guidance around access to banking for vulnerable persons
- Branch staff are unaware of their own processes around setting up bank accounts for vulnerable persons
- Accessibility within banks is focussed on physical as opposed to mental disability

### **High-level objectives**

We make a number of recommendations with the following high-level objectives:

- Ease of access to banking for vulnerable persons and their advocates
- Consistent criteria across all FS providers to improve banking services for vulnerable persons and their advocates
- Improve ease of switching for vulnerable persons and their advocates

## **Recommendations**

There is a clear opportunity for the banking sector to significantly improve the banking experience for vulnerable persons and their carers at both a macro and micro level:

### Internal micro change

- Banks should establish clear processes outlining exactly what authorisations are acceptable to enable a bank account to be opened for a vulnerable person who is unable to provide consent, which will be managed on their behalf whilst providing due protection from exploitation
- Boards and senior management should ensure all bank branch staff are aware of their specific organisation's processes and policy relating to vulnerable customers
- Boards and senior management should ensure that internal accessibility focus is equally weighted for the needs of mentally vulnerable persons as well as physically disability

### External macro change

- The financial services industry should establish a cross-industry initiative to ensure there is a consistent approach to the provision of services to vulnerable persons – banking is a priority but this should apply to insurance, investment, and other services
- Ensure all bank branch staff are aware of industry-wide, consistent rules around access to banking for vulnerable persons (particularly pertinent in respect to the right to switch accounts)
- Government, regulators, and civil society advocates should form a working group to establish what needs to be done and who is responsible for implementing reforms