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Vulnerability review

Improving understanding of the outcomes for consumers in vulnerable circumstances when engaging with financial services firms

Prepared for

The Financial Conduct Authority

May 2024

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1. Foreword

We define a vulnerable customer as someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care. We want to see customers in vulnerable circumstances receive good outcomes, consistent with the Consumer Duty. We require firms to consider the needs, characteristics and objectives of their customers - including those with characteristics of vulnerability - and how they behave at every stage of the customer journey.

In 2021, we published the Guidance for firms on the fair treatment of vulnerable customers, which set out what firms should do to treat customers in vulnerable circumstances fairly. Since then, the Consumer Duty has come into effect.

We commissioned this research to explore the experiences and outcomes of customers in vulnerable circumstances when engaging with the financial services sector. This research aimed to identify where consumers in vulnerable circumstances may be experiencing worse outcomes compared to other customers and the positive and negative practices that impact on outcomes.

The researchers found that customers in vulnerable circumstances, and particularly those with multiple characteristics of vulnerability, continue to be more likely to report poor outcomes compared to other consumers. Positively, consumers reported examples where firms had responded flexibly to meet their needs by offering more tailored support and deliver a good outcome but for some consumers, there remained challenges. We also saw that where firms were aware of customers' circumstances, most consumers received a positive outcome however there still remain barriers to disclosing circumstances.

These findings have fed into our Review of firms' treatment of customers in vulnerable circumstances. As part of the review, we also analysed our 2020, 2022 and 2024 Financial Lives Survey data to examine how outcomes have changed over time. The findings of the consumer research are consistent with what we found as part of our broader review.

We want firms to consider the findings of this research and our broader review as part of their ongoing Consumer Duty embedding work, including whether there are particular areas that they may need to improve to ensure the delivery of good outcomes for customers in vulnerable circumstances.

I encourage you to read this research, together with the examples of good practice and areas for improvement that we have seen.

Sarah Pritchard

Executive Director of Consumers, Competition and International

Financial Conduct Authority

2. Executive Summary

This research supports the FCA's review of firms' treatment of customers in vulnerable circumstances by testing the outcomes experienced by these customers.

Where consumers disclose their needs or circumstances, they mostly get the right support but there remain barriers to disclosure

In most cases, a consumer with characteristics of vulnerability receives a positive outcome when they disclose their differing circumstances to their financial services provider. Upon disclosure, some consumers received support tailored to their needs and reported improved outcomes. However, there remain barriers to disclosure, such as consumers being unaware of firms' support and consumers being concerned they may get a worse deal. Firms can improve the likelihood that customers share information about their circumstances and needs by communicating the potential benefits of disclosure and dispelling the impression that consumers might receive a worse service.

Characteristics of vulnerability can interact to make consumers more susceptible to harm

The research showed that firms are able to provide consumers with appropriate support at the right time, as long as they know the full picture about their customers' circumstances. Consumers in less complex circumstances will be best helped by small interventions that address their immediate need, whilst others require underlying issues mitigated before interventions can be more effective.

When consumers exhibit multiple characteristics of vulnerability rather than just one, more negative experiences with providers were reported. Further, the impact of these negative experiences was greater, and research participants reported more difficulties accessing the products they feel they needed. Several case studies within this research explored how these characteristics interacted and showed that in several cases some characteristics of vulnerability can exacerbate the impact of others.

Tailored support, that responds flexibly to customers' needs and is more personal in nature, drives positive outcomes and trust.

Every positive experience established by the research was driven by support that felt tailored to the customer's needs and felt more personal in nature. In particular, this approach made consumers feel like the provider cared. Examples of regular check-in calls by a bank employee and emailing summaries following phone calls. These interventions helped consumers feel more informed and helped to deliver improved outcomes for customers.

The opposite was found in each negative experience, where interviewed consumers reported more standardised approaches. This made it difficult for them to communicate and achieve what they were trying to do as well as making the customer feel like the provider did not care. Tailored support that responds flexibly to customers' needs and feels personal to the customer can happen across any channel, meaning good practice does not hinge on channel availability alone, but is also contingent on good customer service, a suitable approach to communication, and the ability to accommodate differing needs. For the consumers interviewed in this research, a tailored and more personal approach increased trust and facilitated better communication in future.

3. Introduction

Characteristics of vulnerability may impact on consumers' needs and limit their ability or willingness to make decisions or choices in their own best interests, making them more susceptible to harm.

In 2021, the FCA published the [Guidance for firms on the fair treatment of vulnerable customers](#) ("the Guidance"). In 2021, the FCA committed to evaluate the actions firms have taken, and the outcomes experienced by consumers in vulnerable circumstances. This report aims to support this commitment by exploring the recent experience of consumers in vulnerable circumstances when dealing with their financial services firms.

4. Methodology

The study was carried out in two stages March and April 2024: a quantitative stage to provide findings about the proportions of consumers affected in different ways; and a qualitative stage to provide insight into the lived experiences of consumers in vulnerable circumstances. Findings from both stages are presented in this report.

4.1 Defining vulnerability

The FCA’s Financial Lives Survey (2022) identifies certain characteristics and indicators of vulnerability associated with the four drivers of vulnerability. This research determined vulnerability using a similar framework, with a slightly wider definition¹ to ensure essential characteristics of vulnerability were captured despite the shorter survey length.

<p>Health conditions</p> <p>One or more conditions lasting or expecting to last 12m or more that impact a lot on day-to-day activities:</p> <ul style="list-style-type: none"> Addiction Vision Hearing Mobility Dexterity Mental health Memory Learning, understanding or concentrating Stamina, breathing or fatigue Socially or behaviourally Other conditions 	<p>Negative life events</p> <p>Experienced one or more of the following events in the last 12m:</p> <ul style="list-style-type: none"> Becoming main carer of a close family member; Death of parent, partner, child, serious accident or illness to self or a close family member; Losing job, being made redundant, having working hours reduced against wishes, or being made bankrupt; A relationship breakdown, separation or divorce; Domestic abuse, including financial abuse
<p>Low financial resilience</p> <ul style="list-style-type: none"> Feel that keeping up with domestic bills and credit commitments is a heavy burden In the last 6 months, have fallen behind on, or missed, any payments for credit commitments or domestic bills Could not cover living expenses for more than a week if lost main source of household income Would struggle to pay an increase in rent or mortgage of £50 If retired have difficulty paying for day-to-day expenses 	<p>Low capability</p> <ul style="list-style-type: none"> Self-rate confidence in managing money as low Self-rate knowledge of financial matters as low Do not consider themselves to be confident or savvy consumer Rarely access the internet or self-rate ability to use the internet as poor.

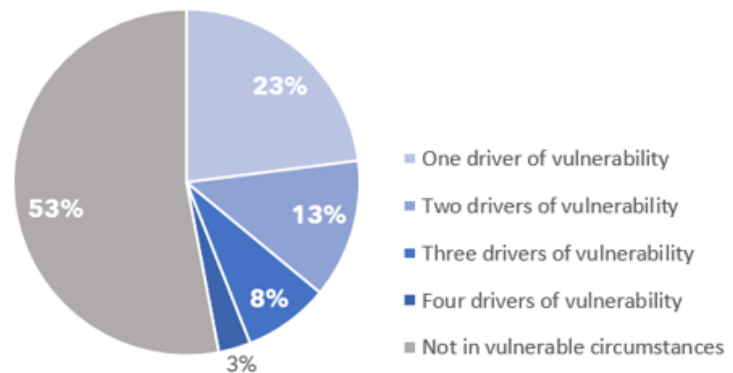
Figure 1. The drivers and characteristics of vulnerability defined by the FCA’s Financial Lives Survey

Previous research indicates that vulnerability can be short-term if, for example, consumers experience a negative life event or briefly fall behind on bills for 1-2 months, or longer term if, for

¹ The definition used for this research includes Cancer, MS or HIV, and speech problems in the list of health conditions prompted.

example, consumers are not confident in managing money or when living with a condition that affects their day-to-day activities.

Furthermore, consumers can experience more than one 'driver' of vulnerability. Findings in this report indicate these drivers can interact to create differing needs, which can exacerbate risk of harm to an extent that can be far greater than if drivers of vulnerability are experienced individually.



4.2 Quantitative stage

Interviews were conducted with 1,500² individuals using a standardised questionnaire. The survey covered both consumers with characteristics of vulnerability and those who did not have characteristics of vulnerability. This allowed the experiences and outcomes of the two groups to be compared.

The majority of interviews were completed using online access panels of UK consumers. Interviews were drawn from several panels to ensure a wide coverage.

In order to include groups of consumers with characteristics of financial vulnerability who would be excluded by a purely online approach, a proportion of the interviewing was done using face-to-face interviewers. These interviews covered people who:

- Are not online (i.e., those who are digitally excluded)
- Have conditions which restrict online access (such as visual impairments)
- Live in less socio-economically affluent areas

Both online and face-to-face interviews were quota controlled. Quotas were applied in order to achieve a sample that would be representative of UK adults on several geographic and demographic factors, including age, gender, housing tenure and region. Further, interviews were subject to quality control processes to eliminate responses that were potentially unreliable or invalid (e.g., this process eliminated responses with inconsistent or nonsense answers and those that were completed too quickly).

To ensure the results were representative, the final sample was weighted to the profile of consumers achieved in the Financial Lives survey (2022), which itself draws from the latest UK statistics from ONS and the Labour Force survey. Parameters used for weighting included:

- Age interlocked with gender
- Working status
- Household tenure
- Digitally excluded

4.3 Qualitative research

Depth interviews were conducted with 20 financial services consumers by telephone. Some were newly recruited to the study, and some had taken part in the quantitative stage. Those who had taken part in the quantitative stage were recruited as they had positive or negative experiences with their providers and exhibited multiple characteristics of vulnerability. The purpose of the interviews was to explore the experiences of consumers and understand the practices that they encountered. The interviews had a guided structure, to ensure certain topics were covered, but were conversational. Results were compiled using an analysis grid and grouped thematically. The report provides examples of the practices people encountered when interacting with financial services providers. While the experiences are real the names have been changed to maintain the confidentiality of the individuals who shared their experiences with us.

5. Key Themes

5.1 Interactions between characteristics of vulnerability

The Guidance for firms on the fair treatment of vulnerable customers states that firms should understand the complexity and overlap between characteristics of vulnerability.

2.10 Firms should understand that characteristics of vulnerability are likely to be complex and overlapping. For example, a life event like a relationship breakdown or bereavement may lead to further vulnerability such as mental ill-health or low resilience. This may be made worse if the consumer has low or limited capability to engage with financial services or to manage their finances.

The quantitative stage of the research suggests that when characteristics overlap, there is greater potential for harm. The research looked at positive and negative communication experiences, both of which were impacted when consumers had more than one characteristic. The research indicated that characteristics may interact in a way that results in greater risk for harm.

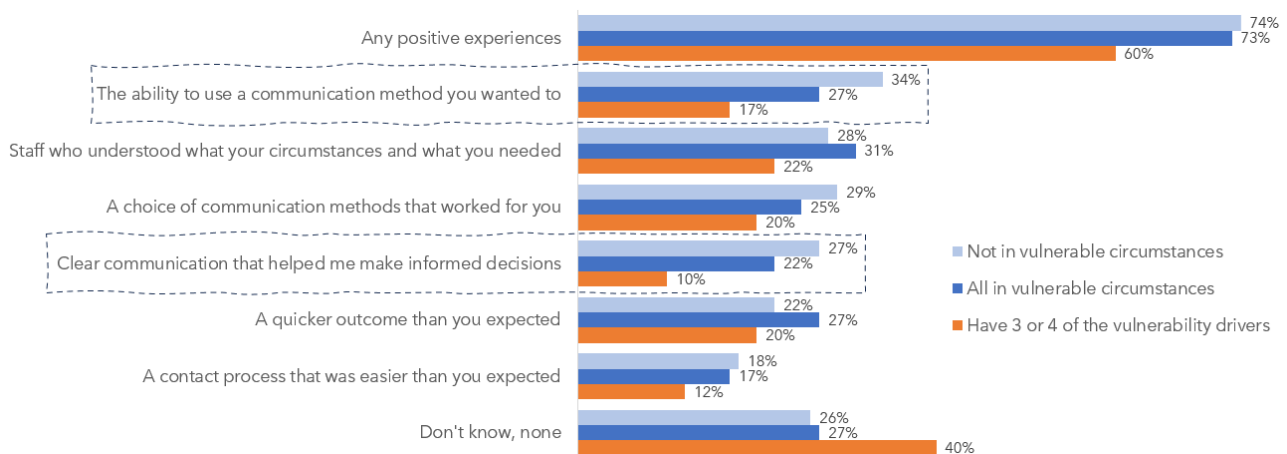


Figure 2. C12 - When contacting financial services providers in the last 12 months, which if any of the following positive experiences have you had? Base: All UK adults (n=1,500)

Whilst those with characteristics of vulnerability are a little less likely to cite positive communication experiences than those without such characteristics, in the most part both groups mention positive experiences equally frequently. However, a much greater proportion of those with multiple characteristics of vulnerability state, “no positive experiences” and report a much lower incidence of positive communication experiences.

Consumers with multiple characteristics of vulnerability are likely to have differing needs and as a result may not always be able to interact with financial services firms in a way they find easy. It may also lead to problems accessing suitable products and services.

For example, a greater proportion of consumers in vulnerable circumstances reported being turned down for products and services they themselves consider suitable, when compared to customers with no characteristics of vulnerability.

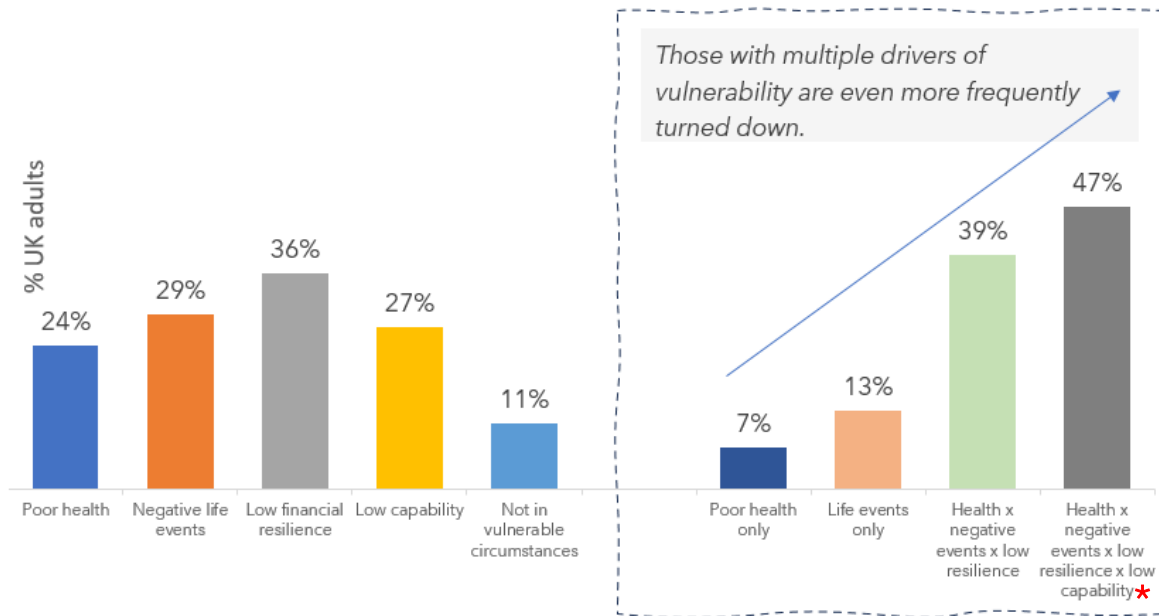


Figure 3. A2 - Has a provider ever turned you down for a financial product or service that you felt was suitable for your needs? (% Yes) Base: All UK adults (n=1,500)

The incidence increases substantially amongst those with multiple characteristics of vulnerability.

Furthermore, the interaction between each driver of vulnerability may differ. For example, the research shows that those with low financial capability or those with poor health were less likely to have felt supported by financial services firms whilst handling a negative life event. In addition, those with health conditions are more likely to feel that firms did not provide adequate time to consider the impact of a negative life event, potentially impeding suitable financial decisions.

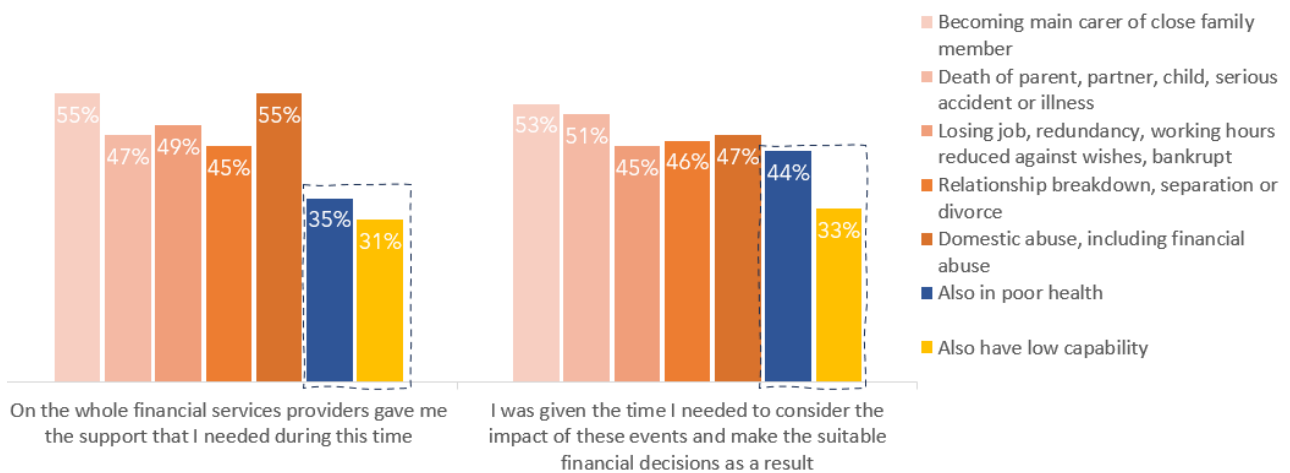


Figure 4. E1 - Could you tell me whether you agree or disagree with the following statements (% agree). All UK adults who have experienced a negative life event in the last 12 months (n=455).

Findings from the quantitative survey revealed that the interactions of characteristics are complex. The qualitative stage allowed these interactions to be explored and better understood both how characteristics of vulnerability tend to overlap, and what the implications are for harm the consumer may be susceptible to.

The research shows that characteristics can sometimes (but not always) interact with each other to either create new vulnerabilities, harms, and/or fundamentally shift susceptibility to harm by creating a negative cycle of events. These interactions can occur when multiple characteristics of vulnerability are present.

How firms respond to this may help avoid consumers entering a negative cycle and could hugely improve the likelihood of positive outcomes for people in vulnerable circumstances or reduce the likelihood and scale of harm the consumer may experience.

To help illustrate this, the research showed there are 3 scenarios for how characteristics of vulnerability can interact.

Level 1. Parallel Paths

For some respondents, they did not consider their respective drivers of vulnerability interact. This means the effects of each vulnerable circumstance are siloed, and the respondent did not consider the circumstances as impacting any other.

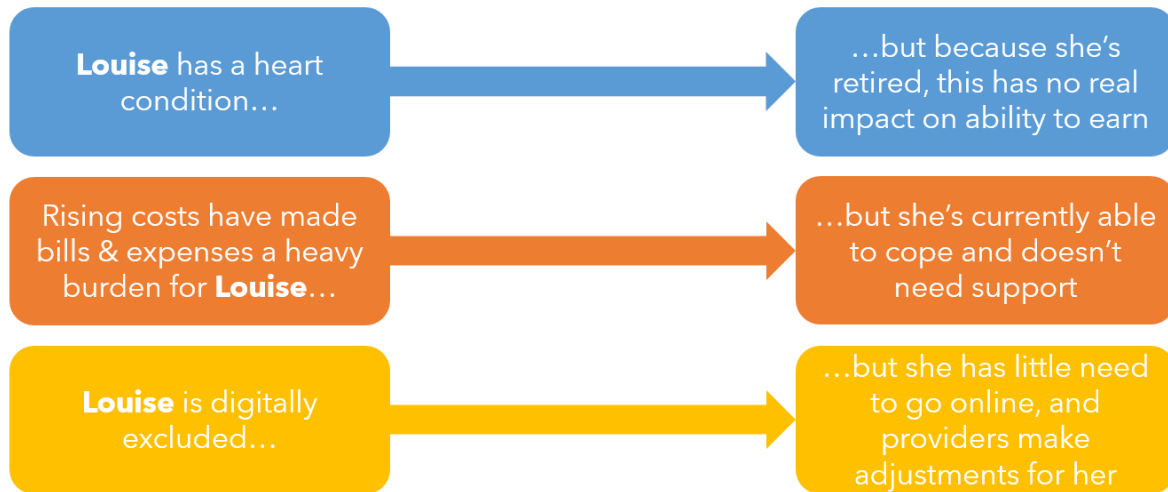


Figure 5. Parallel paths model of vulnerable characteristics

In this parallel situation, the consumer is more susceptible to harm than if no characteristics of vulnerability were present. However, **circumstances** or a firm's **good practice may** mean the impacts of characteristics are **siloed**, and do not increase risk by interacting with other characteristics.

Nonetheless, firms could recognise and respond to Louise's circumstances which could help avoid her experiencing foreseeable harms. Small changes in these characteristics (such as further rising costs or worsening health) could quickly lead to the need for increased support from firms to avoid a scenario which is more likely to lead to harm, especially if the vulnerable characteristics start to interact - as they may do for other consumers in a similar scenario.

Level 2. Root Driver

For some respondents, the research showed that one of their vulnerable circumstances has created or significantly drives their other vulnerable circumstances. Negative outcomes all effectively stem from one characteristic of vulnerability.

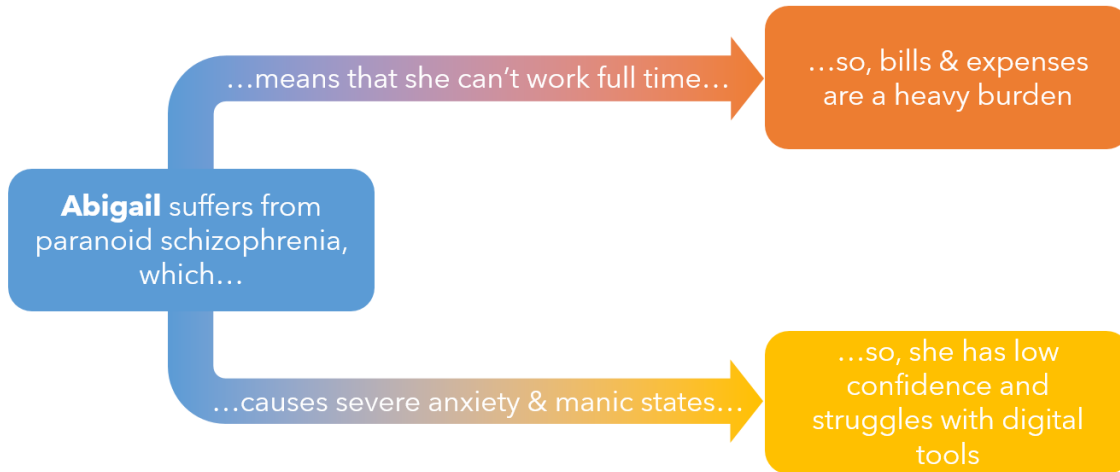


Figure 6. Root driver model of vulnerable characteristics

The consumer’s susceptibility to harm is increased due to **one characteristic driving risk** in other areas. Whilst there is increased risk, good practice from a firm that addresses the needs and potential harms associated with the root characteristic when the consumer engages with the provider could help to reduce risks associated with all characteristics.

Level 3. Vicious circle

For some consumers, their vulnerable circumstances have created a vicious circle that is difficult to break out of. Whilst there may be a root cause that originally started the process, the lived reality continues in a cycle.

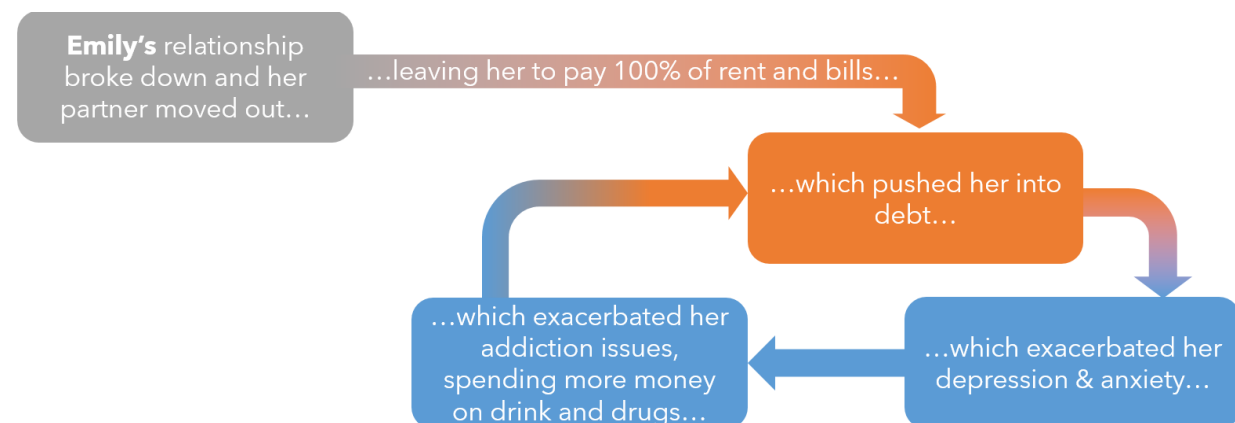


Figure 7. Vicious circle model of vulnerable characteristics

The consumer's susceptibility to harm is both **increased** by interacting characteristics of vulnerability and **continues to increase** over time. Good practice from firms can help prevent the cycle from beginning, but additional care is required once the cycle is in motion.

Whilst not all situations can be resolved by firms (Emily' situation meant she became liable for all bills), an early intervention from a financial services firm to provide signposting, and to show support and understanding may have helped her to plan her finances earlier and reduced the risk of her falling into debt. This would have helped to reduce the harm arising from the vicious circle.

5.1.1 Implications on susceptibility to harm

The research suggests there are many ways in which drivers of vulnerability interact. However, low financial resilience is more likely to occur **as a direct result** of other characteristics of vulnerability. For example, the research established several cases of a negative life event or a health condition preventing someone from working full-time, reducing their income, and therefore lowering their financial resilience.

In the cases of the *Root Driver* and *Vicious Circle* models, characteristics of vulnerability can further exacerbate poor consumer outcomes because of the interaction of one or more characteristics. However, in the case of *Parallel Paths*, good practice from financial services providers seems to prevent or mitigate this cumulative effect.

For example, in **Louise's** case, living near her local bank branch allows her to contact her bank easily for information and advice despite being digitally excluded. If this were to be removed, and Louise had to approach her bank through a digital channel, the reduced ability to make contact and access information and advice could make it harder for her to organise her finances. Digital exclusion could exacerbate her existing low financial resilience due to rising costs, moving her from *Parallel Paths* to a *Root Cause* path, increasing susceptibility to harm as a result.

5.2 Communications

5.2.1 What is already in place

Our research showed that firms have acted in recent years to ensure consumers have suitable channels of communication. Consumers in vulnerable circumstances were able to cite many examples of good practice that providers have put in place.

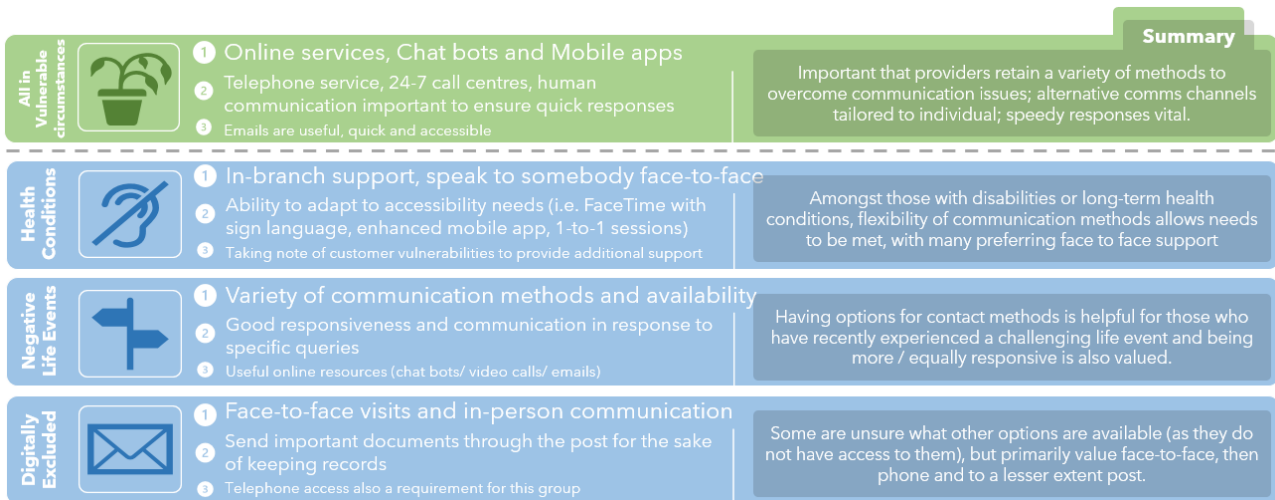


Figure 8. C11. What do providers have in place to help overcome communication issues? (open question) All UK adults in vulnerable circumstances some channels don't work for them (n=635)

Those in vulnerable circumstances mentioned the importance of a variety of channels being available, including online services, chatbots and mobile apps. Those with health conditions and those who are digitally excluded value in-branch support and other face-to-face interactions. However, the qualitative stage shows that some consumers with health conditions (specifically social anxiety-related mental health conditions) prefer online methods of communication due to a lack of personal interaction. Similarly, having options of how to make (or receive) contact depending on the requirement as well as the particular situation is important for those experiencing negative life events.

5.2.2 Communication channels do not always meet needs

Typically, consumers in vulnerable circumstances rate their financial service providers lower - the proportion of people giving an "Excellent" or "Very good" rating to whether communication channels meet their needs is smaller than those not in vulnerable circumstances.

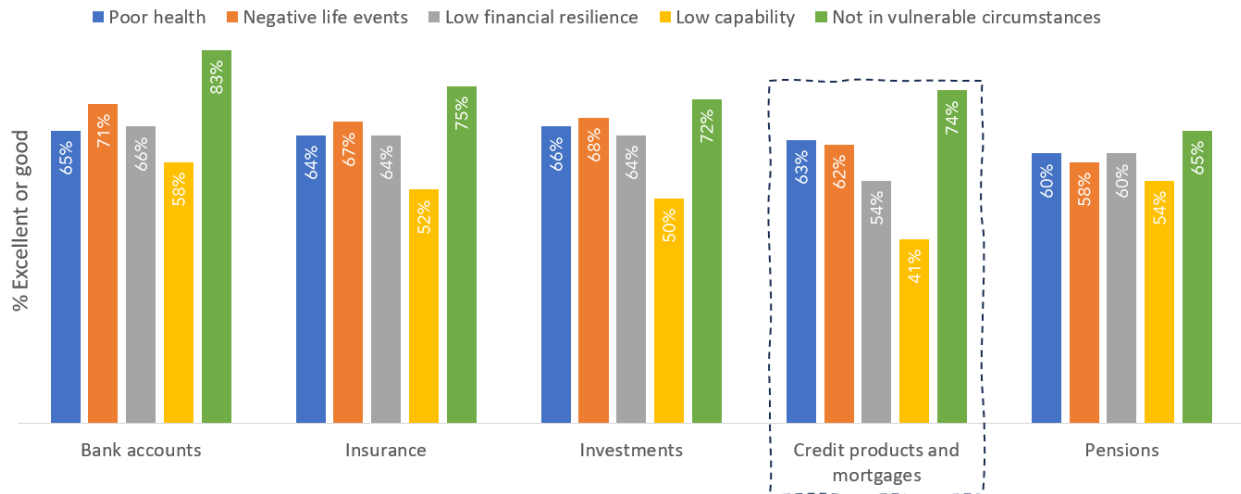


Figure 9. C4 - Overall, to what extent do the communication methods (or channels) used by financial services providers meet your needs? (% excellent / very good). Base All UK adults (n=1,500)

Regardless of the main driver of vulnerability, the rating of communication methods is lower, especially amongst those who have low confidence in managing their money or are digitally excluded (i.e., those in the 'low capability' group).

Consumer ratings of credit product and mortgage communication methods highlight the difference in the communication experience between those in vulnerable circumstances and those not. This could be a function of how firms in this sector prefer to communicate, or an indication of the complexity of the product and how providing alternative communication methods is important.

Firms are able to put in place alternative methods of communication, but these are not widely known amongst consumers in vulnerable circumstances.

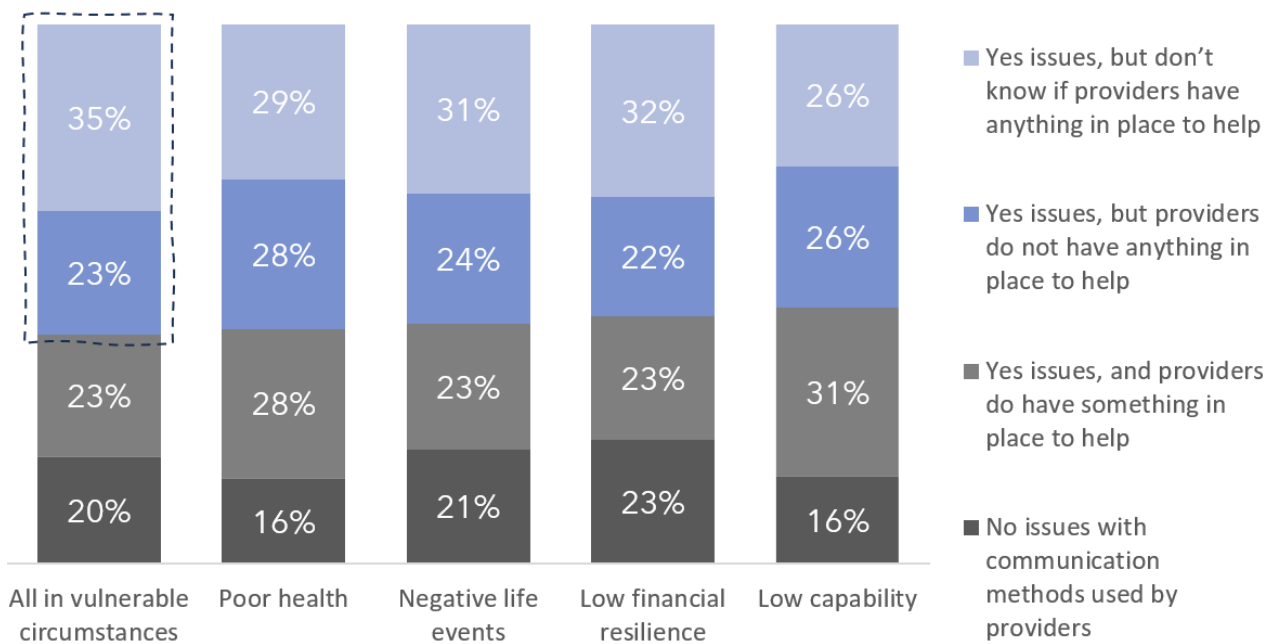


Figure 10. C10. Do any providers have anything in place to help you overcome these issues? Base: All UK adults in vulnerable circumstances (n=1,000)

Nearly 6 in 10 (58%) either do not know if there is anything in place or feel that they know nothing is in place to help overcome communication issues they may face. However, the majority (70%) of those who have faced issues feel that providers give adequate alternative methods.

C11 - What do providers have in place to help overcome communication issues?

"They provide an enhanced mobile app with features offering customer support to address my communication issues."

"Some have branches I can visit, others have call centres; I prefer to talk to someone as going online is not helpful and I can come away with more questions than answers."

"They have a real person on call several hours per day and a live chat if phone lines are busy."

The fact many are unaware of alternatives, despite suitable alternatives being reported by those who have faced issues, means there may be an awareness gap that could lead to poor outcomes for those in vulnerable circumstances. Firms are heavily reliant on email and letters to communicate with consumers, for example 68% of consumers said they received information by

email, and 38% said they received information by letter. However, these channels may not suit some people. Alternatives in most cases are considered adequate, but a lack of awareness of alternatives could mean some consumers continue with letters and emails despite a more suitable alternative being available.

5.2.3 Failing to get information or affect a change

The research shows that consumers in vulnerable circumstances who fail to get the information they need, report being unable to nominate someone to act on their behalf or unable to take action on their product or service, more often than other consumers. A greater proportion of those with multiple characteristics of vulnerability, and those with hearing, vision or speech related conditions, were particularly impacted in these areas.

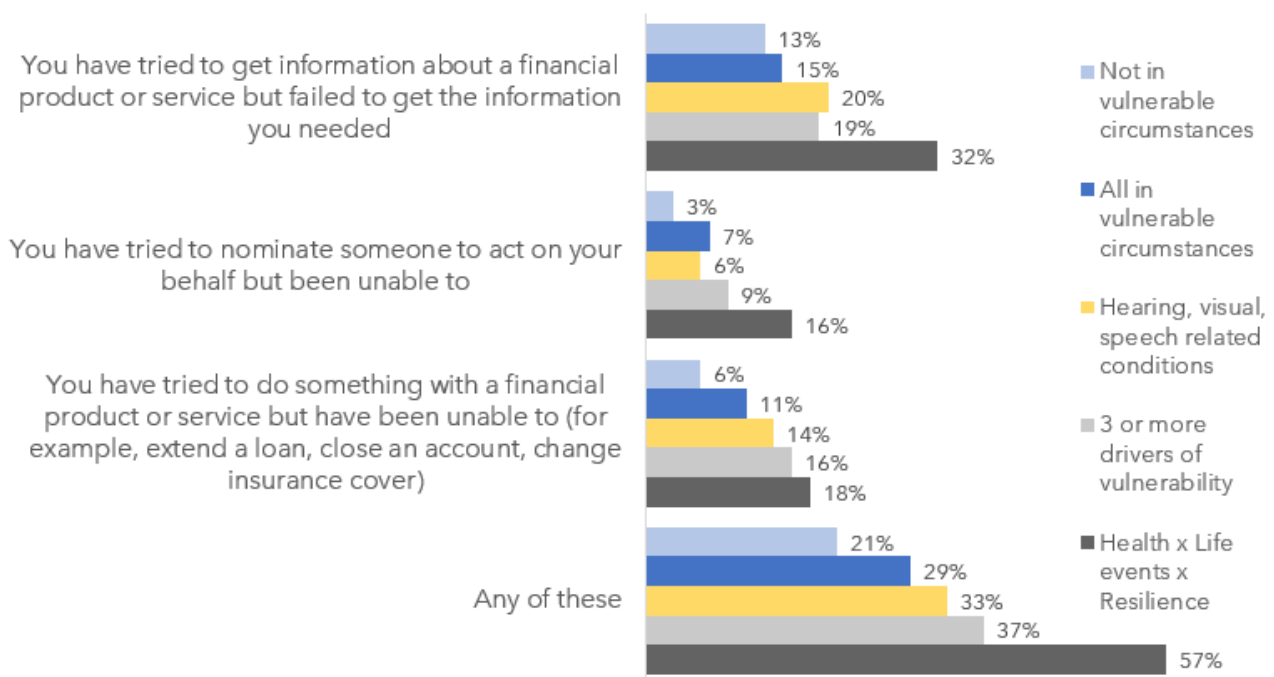


Figure 11. C15 - In the last 12 months, has there been any occasions when any of the following has happened when dealing with financial services providers? Base: All in vulnerable circumstances (n=1,000)

Consumers with a combination of poor health, low resilience and a negative life event, were more likely to report feeling unable to achieve what was needed. Those with hearing, visual and speech impairments feel as if they cannot always get what they need - more so than other groups.

These results stand out when comparing against those who do not have characteristics of vulnerability. There is little difference in the proportion of consumers who felt they failed to find the information they needed (13% vs 15%); however, the difference increases as the complexity of the request increases. For example, 6% of those not in vulnerable circumstances reported being unable to do something with a financial product or service (such as extend a loan or

change insurance cover), but this incidence almost doubles (11%) amongst those in vulnerable circumstances.

Consumers in vulnerable circumstances who reported being unable to nominate someone to act on their behalf were more likely to feel distress or anxiety and less likely to feel able to achieve their objectives themselves, compared to other consumers (see Figure 12).



Figure 12. C16. Can you tell us a little more about what happened when you were unable to nominate someone to act on your behalf and what challenges you faced as a result? Base: UK adults tried to nominate someone to act on their behalf but unable to (n=76)

Consumers in vulnerable circumstances do not always feel they have the opportunity to pursue alternatives, meaning the financial need is left unmet. This is one of several examples that show those in vulnerable circumstances experience a greater potential for harm compared to those not in vulnerable circumstances, where firms fail to act to meet consumers' needs.

5.2.4 Negative communication experiences

Negative communication experiences happen to all consumers from time to time, but the research shows that this occurs more frequently for people in vulnerable circumstances, and, where it does occur, there is greater harm to consumers in vulnerable circumstances.



Figure 13. C13 - And when contacting financial services providers in the last 12 months, which if any of the following negative experiences have you had? Base: All UK adults (n=1,500).

Regardless of their circumstances, consumers report wasting time as a result of negative communication in equal proportions, but a greater proportion of those in vulnerable circumstances experience other harmful impacts such as weakened trust, lost money, and stress.



Figure 14. U4 - As a result of [negative communication experiences], were you affected in any of the following ways? All UK adults who have had a negative experience in the last 12 months (n=599)

Both stages of the research showed that negative experiences with their financial services provider had a particular impact on the mental health of those in vulnerable circumstances.

5.2.5 Tailored support: the “ability to tell your story”

The research established several good experiences where firms responded to a consumer’s circumstances or needs with more tailored support. In this research, tailored support was characterised by approaches to communications and customer service that responded flexibly to the additional needs of customers in vulnerable circumstances and was more personal in nature. The use of this term is separate from, and not intended to refer directly to, and other work by the FCA.

Case Study: Nathan’s Meetings

Nathan has **cystic fibrosis**, which impacts his financial resilience by limiting how much he can work. His bank was made aware of his **low financial resilience** through discussing overdrafts, when he made it clear he felt his tight finances meant he shouldn’t have one.

A while ago his bank **phoned him out of the blue** to invite him for regular in-branch meetings to discuss his finances and offer advice. In his first meeting, **Nathan** felt comfortable enough to **disclose** his cystic fibrosis to them. Nathan has since **opened a savings account** and begun to **save regularly** from advice he’s received in these meetings, improving his financial situation. He **trusts his bank** much more now.

Whilst not the only example of tailored support we found; it is the only case where the intervention feels proactive on the firm’s part. As a result, the firm learnt more about his circumstances, Nathan took out a new product with them and his trust in his provider improved.

Conversely, bad experiences of communicating with firms in the research were linked to standardisation of communications which did not take account of and therefore were unable to respond to consumers’ additional or different needs. Our research showed this could be driven

by chatbots being unable to resolve consumers' issues, having to talk to multiple people and repeat things, or automated phone menus.

Case Study: Greg's Pension Payments

Greg wanted to know how much his **pension payments** would be **increasing** to in the next financial year and phoned his provider to find out a few months in advance so he could make **plans**.

Greg is 76 and struggles to use the internet, so he felt **telephone was his only option**. After around 10 minutes being directed through **phone menus** that he found hard to understand, and not getting through to someone who could help, he gave up. At time of interview, **Greg still hadn't found out** and was expecting to only find out after the first payment of the new financial year. This has prevented from being able to plan his finances effectively, which has been challenging given rising costs elsewhere.

Greg was trying to be proactive in organising his money, but a combination of the firm's telephony and digital methods not being suitable for Greg made him give up, potentially causing future harm by preventing him organising his finances.

Abigail's experience demonstrated how standardised processes that fail to account for consumers' needs coupled with a lack of empathy and a more impersonal service can have a disproportionate impact on consumers with characteristics of vulnerability:

Case Study: Abigail's Overdraft

Abigail has paranoid schizophrenia. She wanted to apply for an overdraft but had questions. She couldn't find answers on the bank's **website**. She tried the **Chatbot** but found the **automated** responses frustrating. She switched channel and **phoned** the bank but had to speak to **three different people** before she was put through to someone who took the time to help her get the right overdraft.

She appreciated the person who helped, but the process felt much harder than it needed to be. **Abigail** told us that this experience, and others like it "**make me feel useless**". She also feels like these processes felt much **more personal in the past**. Being passed to different people has a notable impact on her as she feels people "**disengage**" from her once they think her harder to talk to. This **hurts** and **prevents her telling people about her condition**.

The firm's approach had direct impacts on **Abigail's** ability to communicate with her firm, but indirectly as well by chipping away at her confidence. The process can make her feel like an

inconvenience and stop her engaging. **Abigail**, and consumers like her, can feel as if they have ‘non-standard’ needs which can be best explained when a communication channel is able to accommodate a ‘non-standard’ request. In **Abigail’s** case, the information on the website and the automated response from the Chatbot couldn’t answer her questions in a way she understood, a requirement driven in part by her mental health condition. On the other hand, the staff member she eventually reached on the phone took the time to answer her questions, explain how the overdraft worked, how much she could borrow and how much she would have to pay back.

The eventual empathy and understanding shown to **Abigail**, and the empathy shown to **Nathan** with a more tailored approach allowed them to communicate their needs in a way that suited them. Subsequently, the provider was able to adequately meet their needs and lower susceptibility to harm.

These case studies demonstrate the ability of a consumer in vulnerable circumstances to fully communicate their needs and for the firm to respond adequately through a more tailored approach to communications and support. Effective tailored support was characterised by situations where consumers felt understood and the channel they used could adequately respond to new information. In contrast, more standardised, impersonal communication approaches were characterised by the feeling that a consumer is being led down a pre-determined decision tree, or having a script read to them by a staff member unable to react to new information. Case studies in the qualitative research suggested consumers feel less able to fully communicate their needs through a more impersonal approach, which in these examples, led to poorer outcomes for the consumer.

The research also established that talking to a real person does not automatically offer the tailored support that customers need. Several respondents reported experiences of talking to a staff member over the phone where they failed to demonstrate empathy or sounded as if they were reading from a script. Conversely, some who prefer digital channels reported tailored emails and letters or responsive, human-feeling Webchat services.

Therefore, whether it be in-person, over the telephone, or digitally, less tailored approaches to communication can prevent consumers in vulnerable circumstances from successfully expressing their needs and achieving desired outcomes.

5.3 Access to financial products & services

5.3.1 Access differs for those in vulnerable circumstances

The research shows that a lower proportion of customers in vulnerable circumstances, regardless of which characteristics they have, find it easy to find and to take out suitable products and services.

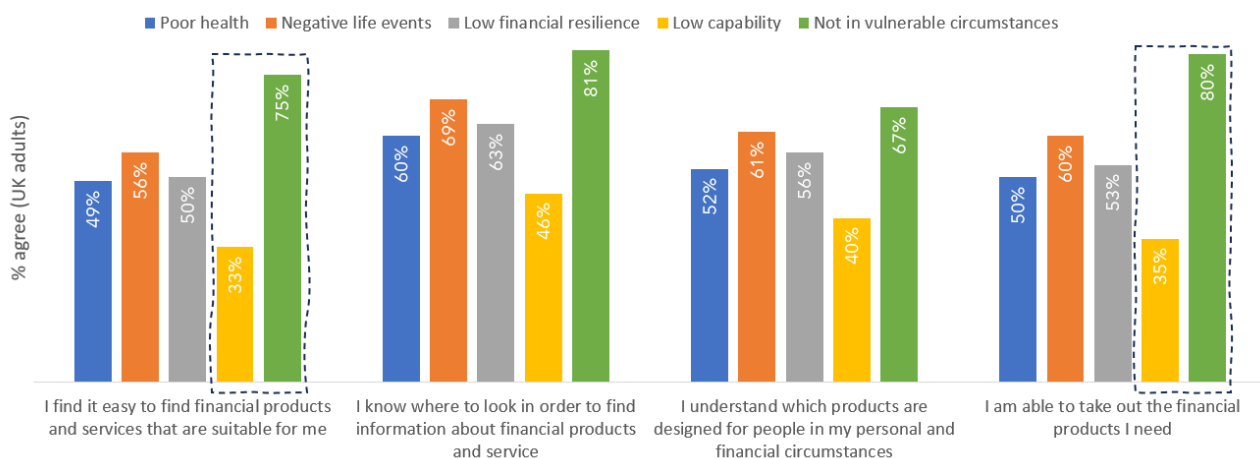


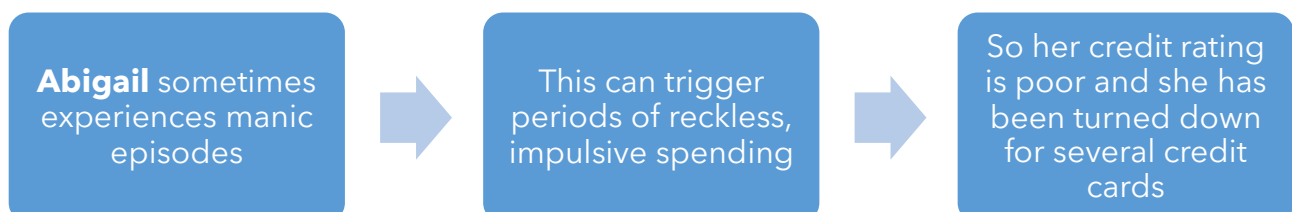
Figure 15. A1 - Please state whether you agree or disagree with each of the following statements (% agree). Base: All UK adults (n=1,500)

Those in vulnerable circumstances are also less likely to know where to look to find information or understand which products are designed for people in their financial circumstances.

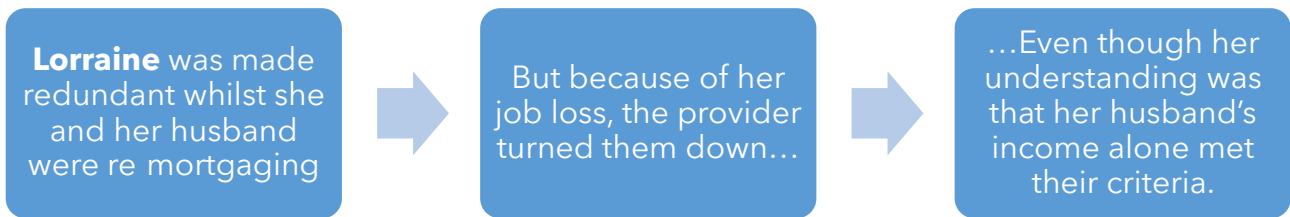
5.3.2 Barriers to access

25% of consumers with characteristics of vulnerability have reported being turned down for a financial product or service that they felt was suitable for their needs, compared to 11% of those not in vulnerable circumstances.

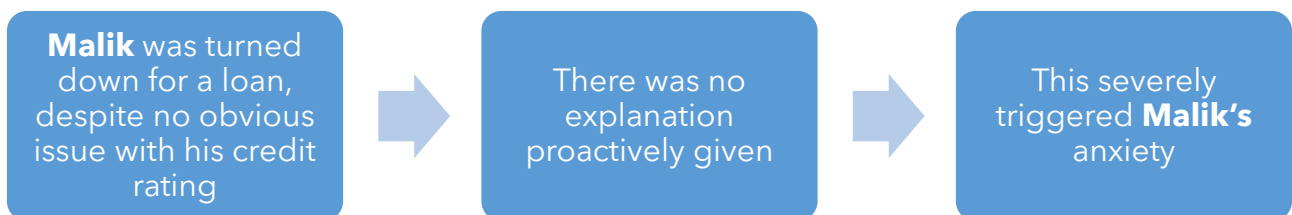
In some cases, the consumer's specific characteristics of vulnerability contributed to being turned down, as was the case for **Abigail** and her mental health condition:



Some consumers find that their characteristics of vulnerability prevent them from accessing a product they need, but they do not feel there is a clear reason:

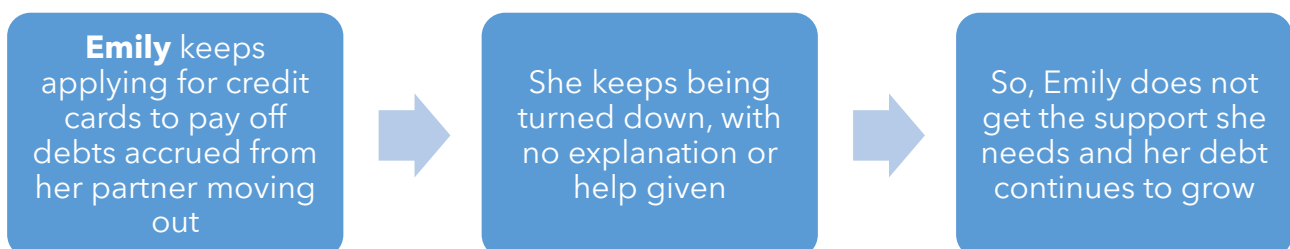


Only 50% of those who have been turned down for a product report being given an explanation for why they were turned down, which in turn can have a greater negative impact on those in vulnerable circumstances. **Malik**, for example, when he was turned down for a loan:



Malik contacted the provider, who eventually explained that as he'd not borrowed with them before, he'd only qualify for a smaller loan. He was accepted for this and was happy with the outcome. However, a proactive explanation and offer of suitable alternatives would have expedited this process and helped to prevent **Malik** from experiencing a significant mental health impact.

How firms communicate the process of being declined access to a credit product they had applied for may compound vulnerability, regardless of the product's suitability for the customer. This is seen in **Emily's** case:



Given Emily's debt, it is likely that the credit cards **Emily** has applied for may not have been the suitable product for her situation. In the interview, Emily acknowledged that her situation may have rightly prevented firms from authorising these products for her. However, the lack of an explanation as to why she has been turned down, or signposting to more suitable help, such as debt advice, has not been forthcoming. In this case, Emily may have sought an unsuitable

solution to her problems, but a lack of communication from the firms as to why the product is unsuitable, and what might be a better option, means Emily is no closer to finding a suitable solution, and her debt continues to grow regardless.

Findings from the quantitative stage further demonstrate that those in vulnerable circumstances, particularly those with multiple characteristics of vulnerability, find that products are not designed for them, have difficulty in understanding what they need to do and generally find the process of applying harder.

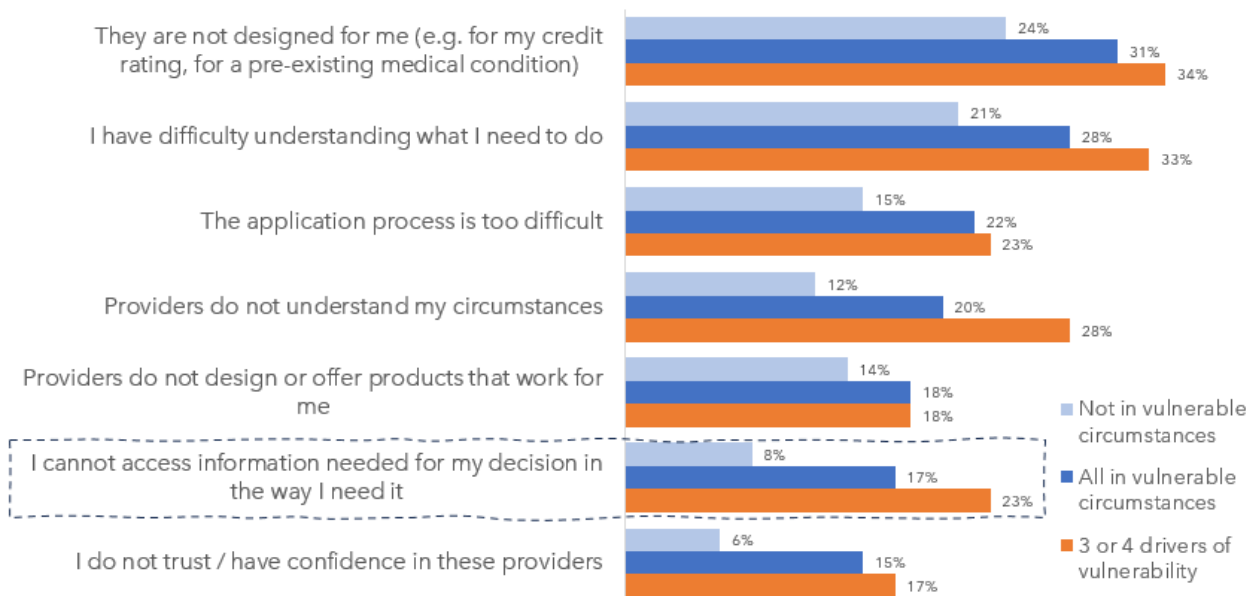


Figure 16. A6 - Where you have difficulty accessing the financial products you need, what are the key challenges or reasons for this? All UK adults who find it difficult to access suitable products (n=266)

Not only is there an apparently greater barrier to accessing products, but consumers reported information about rejections is harder to access in the way the customer needs, which could lead to undermined trust and reduced confidence in financial capability. This can have a compounding impact on the next interaction with financial services firms.

5.4 Disclosing differing needs

5.4.1 Drivers and barriers for disclosing characteristics of vulnerability

The majority of consumers with characteristics of vulnerability have not disclosed their circumstances to any of their financial services providers, with only 4 in 10 choosing to do so. Furthermore, the research indicates that consumers do not always feel encouraged by their provider to do so.

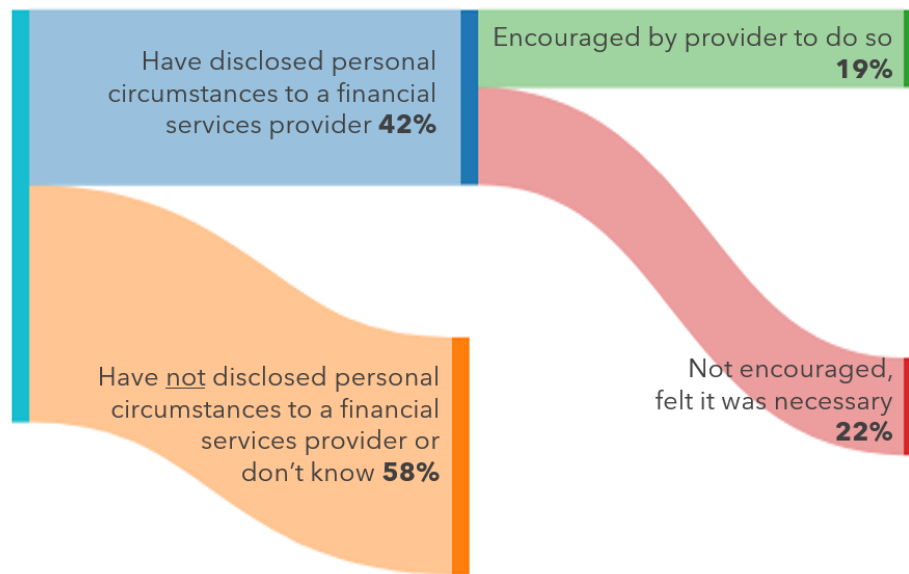
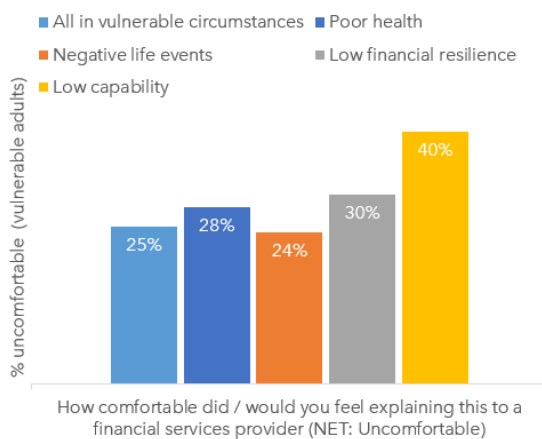


Figure 17. N1a - Have you ever disclosed your personal circumstances or needs to a financial services provider? All UK adults in vulnerable circumstances (n=1,000) / N1b - And were you encouraged by the provider to do this, or did you do this because you felt it was necessary? All disclosing differing needs (n=417)

About a quarter (25%) of those in vulnerable circumstances said they feel uncomfortable explaining their situation to a financial services provider. Different cohorts of consumers are more and less likely to feel uncomfortable:



Groups more likely to feel uncomfortable disclosing needs	%
Not given time needed by provider following negative life event	56%
Feel that firms do not make allowances for health condition	55%
Negative experience with provider causing anxiety or stress	42%
Digitally excluded	37%
Aged 18-24	36%
Mental health conditions	36%
Groups less likely to feel uncomfortable disclosing needs	%
Those whose only vulnerable driver is a negative life event	9%
Those whose only vulnerable driver is a health condition	10%
Do not find keeping up with bills or credit commitments a burden at all	10%
Aged 65+	14%
Understand which products are suitable for my circumstances	15%

Figure 18. N2 - How comfortable or uncomfortable did / would you feel explaining this to a financial services provider? (% uncomfortable) Base: All UK adults in vulnerable circumstances

It is clear that different circumstances and different situations influence the extent to which consumers feel comfortable revealing their financial and personal circumstances.

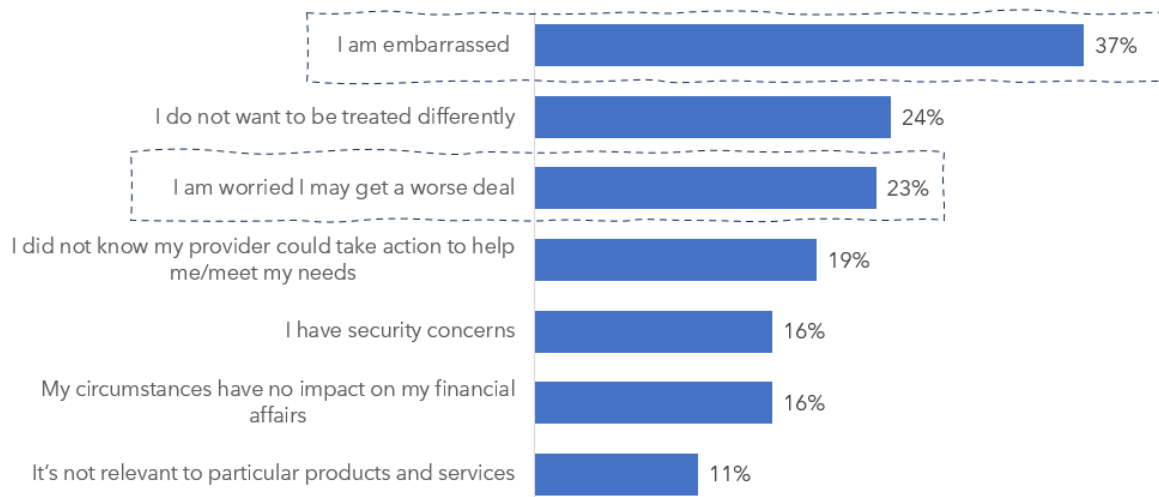


Figure 19. N3 - Recent research suggests about half of UK adults might need financial services providers to consider consumers' personal and financial circumstances more carefully in order to ensure their needs are met. Why are you not comfortable with this? Base: All UK adults in vulnerable circumstances who feel uncomfortable disclosing needs (n=438)

Amongst the quarter of consumers in vulnerable circumstances who said they feel uncomfortable discussing this with firms, many felt embarrassed or did not want to be treated differently. There was also concern they would get a worse deal. One in 5 (19%) of those who felt uncomfortable did not know their provider could take action to help.

Firms may be able to support disclosure by being aware of which circumstances are least likely to be disclosed. The research shows in general terms that those with mental health and/or anxiety conditions are some of the least likely people to reveal they may be having difficulty. Those who are older are more likely to say they are comfortable disclosing their differing needs compared to their younger counterparts.

Findings from the qualitative stage suggest that disclosing differing needs only takes place if there is an obvious reason to do so, such as their circumstances directly impacting their financial service or product. For example, **Marcus** had been made redundant whilst holding a credit product. He felt that it was in his interests to inform his provider so he could explore different repayment options that may be available. Similarly, if it is clear how disclosing their circumstances to their provider will help, then consumers are more likely to do so. For example, Karen was trying to resolve an issue where an ATM wouldn't allow her to withdraw cash which led her to be distressed and exacerbated her anxiety. She was advised by her daughter to disclose her anxiety issues so her bank would be aware in future.

Respondents in the qualitative stage were also put off disclosing differing needs by one or more of the following reasons:

- 1) **Lack of relevance:** Some consumers felt their characteristics do not have an obvious relevance to a consumer's financial services provider. **Louise**, for example, hasn't told any firms about her heart condition because "it's got nothing to do with them".

- 2) **Stigma:** Some consumers felt it was difficult to talk about their characteristics in any context. **Abigail**, for example, feels there is a stigma around discussing conditions like paranoid schizophrenia and finds it too hard to disclose the full extent of her situation with anyone, let alone a financial firm. There is sometimes a sense of embarrassment that the situation is the consumer’s fault which can lead to reticence to explain a personal situation, especially if trust is lacking.
- 3) **Fear of a worse outcome:** Some consumers feel that disclosure would lead to a ‘worse deal’ or put them at a disadvantage. **Isaac**, for example, won’t tell his bank about his gambling addiction as he assumed they would just **“stop me from gambling”**, which isn’t how he wants to address his addiction.
- 4) **Lack of trust:** Some consumers simply do not trust their financial services providers to help them. **Emily**, for example, hasn’t disclosed her addiction issues or her relationship breakdown because she believes firms **“only want your money”**.

5.4.2 Outcomes of disclosure

Encouragingly, those that do disclose needs tend to have a positive experience: three quarters (74%) agreed the provider asked the right questions and approaching 6 in 10 (57%) felt that the provider cared, and a similar proportion (58%) said the provider made changes.

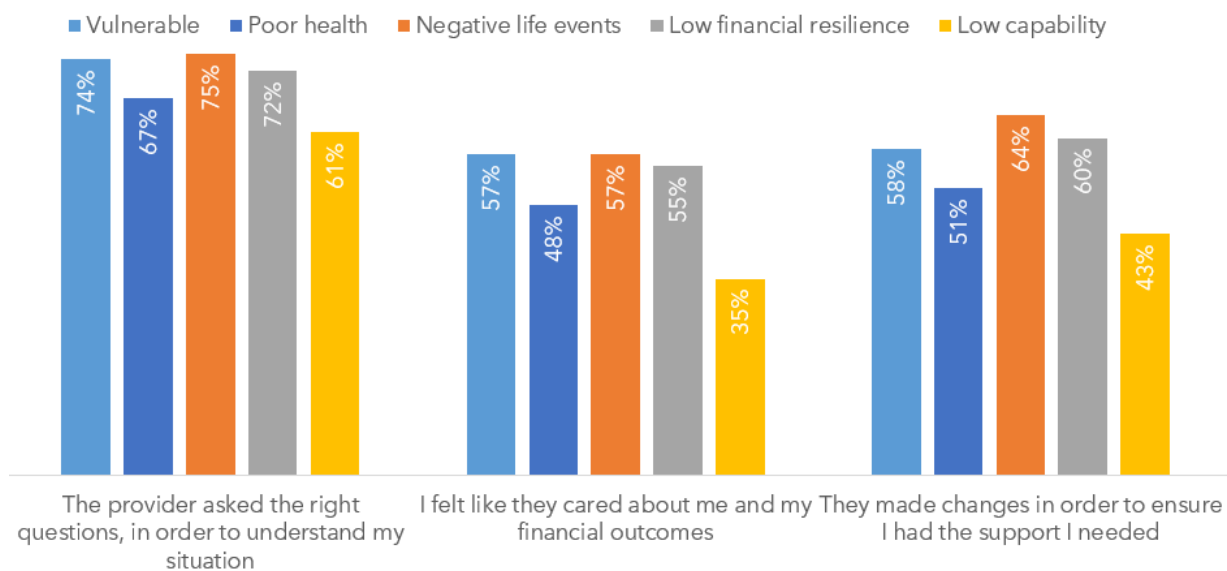


Figure 20. C17 - In the last 12 months, have financial services providers got better at communicating with you, worse, or has there been no change, in the following areas.. Base: All UK adults in vulnerable circumstances who have disclosed differing needs (n=412)

However, the qualitative research demonstrated that once a consumer has decided to disclose their characteristics of vulnerability to a financial services provider, they could face a variety of outcomes which not only impacts their susceptibility to harm, but also their underlying trust in that provider. Whilst the desired outcome for the consumer isn’t always possible (revealing circumstances may not change how the provider is able to respond) failure to acknowledge

and/or empathise appeared to damage the consumer’s trust in that provider and in turn will make them feel less willing to make contact in future.

Disclosing differing circumstances

Customer decision tree

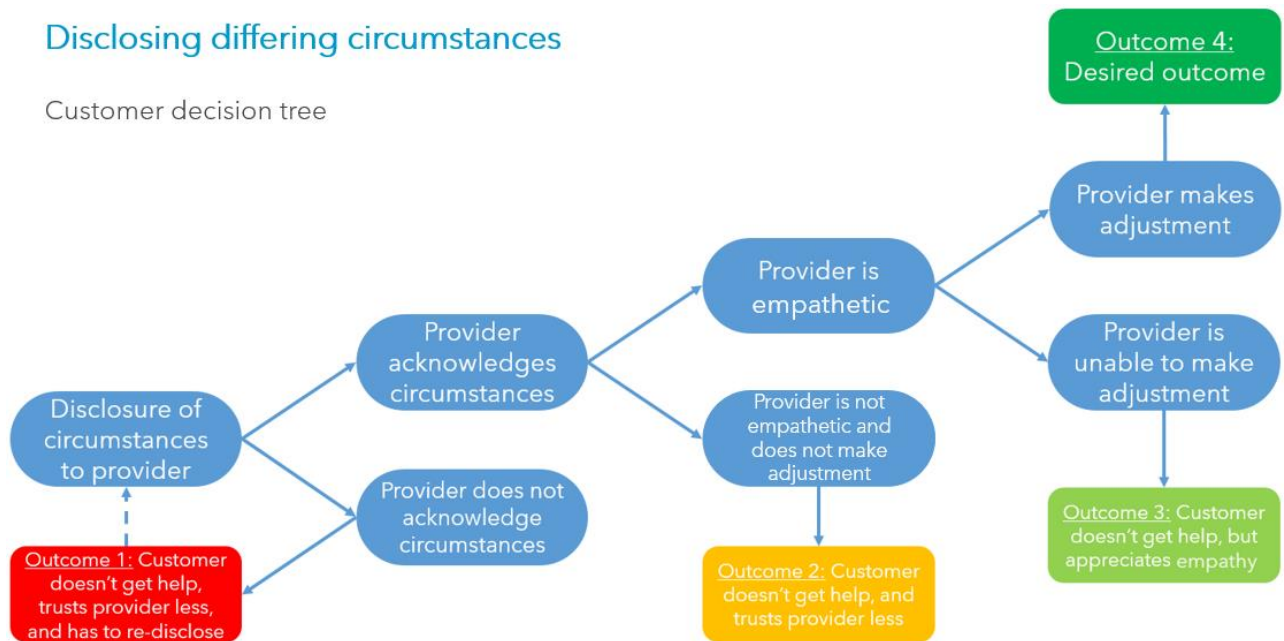


Figure 21. Decisions and outcomes when disclosing potentially differing needs

Each of the outcomes, and the impact on trust and the likelihood for harm is discussed below.

Outcome 1: Circumstances unacknowledged

In this outcome, the provider fails to take on the information that the consumer has shared, forcing the consumer to either give up or re-disclose their circumstances, sometimes repeatedly, in an effort to get the provider to make adjustments. This was experienced by Bridget, a visually impaired respondent:

Case Study: Bridget's vision

Bridget is blind. This causes issues when contacting her providers. They often ask her to do things she can't do, like read out a reference number. Adjustments are eventually always made, but she is frustrated that they never remember. It makes dealing with firms much more time-consuming.

Bridget told us that when she is communicating in-person in a branch, **reasonable adjustments are always made**, but her local bank branch closed meaning she must communicate by telephone more. She told us that **her telephony provider** had a good voice recognition system in place which she can navigate easily, and they changed her letters to a larger font **without her asking** as soon as she disclosed her circumstances. She wishes her financial services providers could do the same.

Outcome 2: Unempathetic provider when unable to act

In this outcome, the provider takes on the information provided by the consumer but neither provides the desired help (perhaps because they are unable to provide the necessary support), nor the desired empathy towards the consumer in the face of a difficult situation. In this situation, the consumer is both unable to improve their financial outcomes, and has had their relationship with that provider damaged, as Marcus found:

Case Study: Marcus's redundancy

Marcus lost his job. Given the impact to his income, he felt he had no option but to disclose this to his loan provider to explore his options.

Whilst the provider acknowledged this circumstance, Marcus felt that they **"didn't have any empathy, and didn't appreciate the situation, and simply weren't listening and looked past it"**. Even worse, he felt **"they put pressure on me [to continue as if nothing had changed]"**.

Outcome 3: Sympathetic but limited provider

In this outcome, the provider takes on the information provided by the consumer, empathises with the consumer's situation, and initiates procedures to provide support. However, the provider comes to a position whereby it finds itself unable to provide support and the desired outcome is not reached. This outcome is still preferable to outcomes 1 or 2, and the provider can retain goodwill with the consumer if empathy is adequately expressed, as Gabby found:

Case Study: Gabby's divorce

Gabby's ex-husband is still named on the family's home's mortgage despite not living there or contributing to payments, as per their divorce agreement.

Out of spite and **"the intent of costing me more money"**, he refused to agree to a new fixed rate after the fixed rate period ended. She told the provider, who connected her to their financial abuse team. They were very sympathetic but said they couldn't help unless she took him to court.

Gabby genuinely welcomed the sympathy and found it helpful. However, the desired outcome was not reached. This event caused stress, negatively impacted **Gabby's** family, and had a **financial impact** by resulting in **Gabby** paying **approximately 1.5% more** on mortgage payments per month until it was eventually resolved.

Outcome 4: Desired outcome

In this outcome, the consumer has benefitted wholly from disclosing their characteristics of vulnerability. In some scenarios, the consumer benefits in a way that corresponds with the reasons they disclosed their circumstances in the first place, as experienced by **Malik**:

Case Study: Malik's anxiety

Malik suffers from **anxiety** and often finds himself feeling severely **overwhelmed**. Nine months ago, his **rent increased**, and he found himself **panicking**.

He **phoned** his bank, told them about his rent increase, and told them about his anxiety. The bank responded by offering **regular courtesy phone calls** every three weeks to check in, give a chance to ask for help and offer advice when necessary. This has made **Malik** feel **more confident** about his finances and **increased his trust** in his bank. He particularly likes how it is the **same person** who calls him every time. It feels like someone is looking out for him, and he never has to re-explain his circumstances.

This tailored support directly addresses **Malik's** characteristic of vulnerability by reducing anxious over-thinking with specific advice that reassures him.

A variation of this outcome is where the consumer wasn't seeking any specific action from their provider when disclosing circumstances but received a positive outcome without having to ask.

This can be seen in **Rebecca's** experience:

Case Study: Rebecca's hearing

Rebecca wears a hearing aid. As they connect to Bluetooth, she normally has no issues talking on the phone. However, on one call with the bank her hearing aid temporarily glitched and the call dropped. She explained this to the bank employee.

Her bank then proactively started to send email summaries of their phone calls in case she didn't hear something. She has found this a helpful change, and Rebecca appreciated that a positive change was made without her having to ask.

5.5 Trust

Our qualitative research reveals a clear link between how easy it is ‘talk to a real person’ and trust in that institution. This reduces the feeling that, as one respondent put it, **“they just want your money”**. There is a tendency for consumers to view in-branch, face to face contact as the easiest way to ‘talk to a real person’. On the other hand, responsive and effective webchat services can drive trust for those who prefer digital channels, such as those in the younger age groups or those with social anxiety.

As a result, the qualitative interviews found several cases in which there was **a link between more tailored support**, that feels personal, and **trust** in a financial services provider, for example in case studies such as **Nathan’s** and **Malik’s** where tailored support made them feel as if their provider was looking out for their interests and could be trusted.

Poor communication of any kind appears to reduce trust. When asked what the impact of poor communication was on people’s time, mental health, and financial situation, one in 4 (25%) volunteered that the experience had impacted their trust in the organisation involved.

Negative communication experiences impact the trust of both people in vulnerable circumstances and those not, comparatively equally (see figure 25).

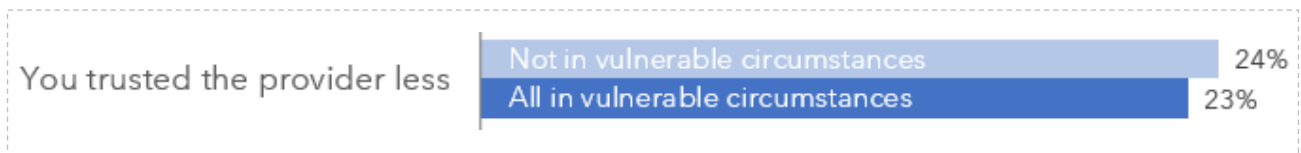


Figure 22. U4 - As a result of this, were you affected in any of the following ways?. Base: All UK adults who have had a negative experience in the last 12 months (n=599)

Amongst those in vulnerable circumstances, examples of tailored communication with providers tended to come from banks, which links to consumers in the qualitative interviews describing banks as the most trusted financial services providers they interacted with. Older consumers in the qualitative interviews in particular pointed to their relationships with their banking provider lasting multiple decades as proof of trust.

Consumers reported low trust in providers where they had experienced difficult telephone communications involving phone menus, being left on hold, and staff seemingly reading from scripts. Based on the 20 interviews conducted as part of the qualitative research, these examples tended to come from insurance providers and pension providers.

Finally, consumers also reported low trust in some providers where they considered they had **“no empathy”**, for example pay day loan providers.

5.5.1 Positive experiences over time drive trust

Trust in both financial services providers and the financial services industry as a whole also appears to be driven or curtailed by both levels of experience dealing with financial services in general, and the quality of individual experiences when dealing with financial services.

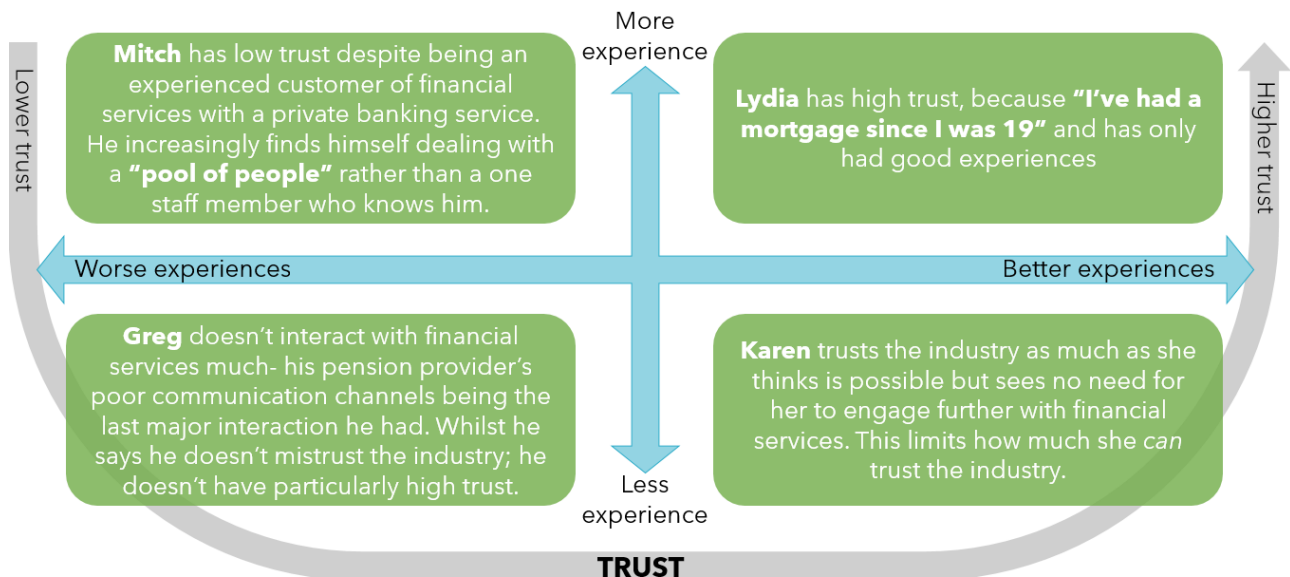


Figure 23. Trust is related to both the length of experience and the quality of the experiences with providers

Consumers who trusted the financial services industry the most or the least tended to be those who had interacted more often with the industry by holding more products or having more frequent communications with them.

On the other hand, those who interacted with the industry less often by holding fewer products or less frequent communications felt they had less to base a feeling of trust on. These consumers were happy or unhappy with their 'bit' of financial services but felt unable to give a verdict of trust on a wider industry they hadn't interacted with. It therefore appears that increasing trust in financial services is linked to both increasing the quality of individual experiences with providers and increasing consumer confidence to engage more often with the industry.

5.5.2 Mixed experiences

Whilst consumers with **positive** communication experiences report **higher** levels of trust, and the **opposite** is true for those with **negative** experiences, the research established that it is possible to have both positive *and* negative experiences with the same provider, sometimes within the same communication.

This is of particular relevance for those in vulnerable circumstances, whose trust can be more fragile and whose communication experiences are more prone to failure.

Mixed experiences create **mixed** levels of trust with either the industry as a whole, as with **Malik's** experience, or with specific providers, as with **Don's** experience.



Following a scam, **Don's** local bank branch staff were very helpful. He trusts them for advice and is very appreciative...



Malik's personalised courtesy calls have improved his trust in his bank a lot. It feels like they really care about *him*...



...but the lack of help from the telephone service beforehand damaged his trust. They weren't there when they needed him most.



...but a bad experience trying to get find information from his car insurance provider made him feel like they only care about his money.

Whilst positive communication experiences can balance out negative ones, it appears one very bad communication experience can decimate trust with a provider, as was the case for Mitch:



Mitch tried to withdraw £500 that he knew he had from an ATM, but it didn't work. His bank didn't believe this had happened and accused him of "**lying**". Despite being a customer for 20 years, his trust "**evaporated**".

About Critical Research

Critical Research is an independent research agency based in London working across a variety of sectors and industries- primarily the charity sector, sport, and financial services. Amidst our work with the FCA, we have for several years been closely involved in the Financial Lives Survey.

We work with clients to provide an agile full-service research solution, from design to data collection of the highest quality to providing actionable insights and outputs. We are a method-agnostic, conducting online surveys, interviews, focus groups, face-to-face surveys, and telephone surveys through our in-house telephone call centre.

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Acknowledgments

We would like to thank Laura Leng, Charlotte Matthews, Barbara Hughes, Tim Burrell, and Errol Walker at the FCA for their roles in guiding the work.

At Critical Research, we would like to thank Samantha Day for overseeing our face-to-face quantitative interviewing, and Dr Nick Williams, and Lydia Beauvais for their roles in conducting qualitative fieldwork.

Most of all we'd like to thank all of our respondents, including those who completed our online survey, face-to-face survey, and those who participated in in-depth interviews.