



March 2018

Vulnerability: the challenges and opportunities in the digital space

Innovate Finance and LSB roundtable - summary and outcome

As part of our commitment in ensuring firms continue to deliver good customer outcomes, we have been keen to obtain further insight from our registered firms and the wider industry on how digital offerings can be developed to help identify and support customers in vulnerable situations.

In collaboration with Innovate Finance, and located at Capital One's Tech City offices, we hosted our third roundtable event on this topic and sought the views and opinions of a wide range of representatives from our registered firms, FinTechs and the wider industry.

Some of the key messages which came out of this discussion include:

- One of the biggest challenges faced by firms is identifying and subsequently initiating a dialogue with customers in a vulnerable situation. It is recognised that customers can be reluctant to discuss their situation and therefore like the anonymity of digital offerings. However, firms are exploring how they can design their digital offerings in a way that provides the right level of support, when needed and encourages customers to engage through this channel. There are examples of firms building in smart analytic tools to be able to prompt discussions at the right time. It was also agreed that considering customer vulnerability should be built into the product design stage, as well as the design of the digital channel.
- Firms need to focus on how they can continue to rebuild trust with their customers, alongside their digital banking solutions. A lack of trust from a customer could prove to be an insurmountable barrier to being able to support vulnerable customers.
- The evolution of digital technologies provides a unique opportunity to service the needs of vulnerable customers through features such as the automation of functions, easy access to third party help, and the introduction of helpful "friction points" which assist with managing the flow of the customer journey.
- Open Banking was widely accepted as a key development in the advancement of the digital space, with participants displaying confidence that this could benefit customers in a vulnerable situation, whether this be a transient or permanent situation. Whilst there are clear benefits to Open Banking, some firms recognised that the overall success of the solutions are dependent on the take up rate amongst customers. Many were hopeful though that with time, and rebuilding of trust, the take up rate would increase.

- Firms also recognised the need to think about how they used the information gathered from both customers directly and through Open Banking, to ensure that the customer is not disadvantaged. It was noted that financial education would become ever more important as customers benefit from the ability to have more empowerment in financial decision-making.
- Digital technologies present a unique opportunity to be able to respond to changing customer circumstances quickly and appropriately - whether this is because a customer has experienced a life event, or whether they are experiencing financial difficulty. Firms should look to explore how they can ensure digital channels are continuing to support their customers in the same way that their non-digital channels do.

Next steps

There has been a great effort by financial services providers and the wider industry in understanding and defining how customer vulnerability needs to be considered and managed at every stage of the customer journey. We will continue to hold insightful discussions and encourage debate around this theme, sharing ideas and best practice along the way, to help ensure financial product providers always deliver fair customer outcomes.

Additionally, we are also undertaking various pieces of work on this theme to continue the conversations and to identify whether further enhancements to the Standards of Lending Practice are needed to ensure they remain current, relevant and proportionate.

- **Standards of Lending Practice for personal customers review:** our consultation period on the Standards for personal customers is now open and we are seeking input from registered firms, industry bodies, consumer and debt advice agencies, and other relevant parties whose work may interact with our own to help us consider whether further updates to the Standards are required. Part of the consultation will consider additional Standards on the important area of financial inclusion.
- **The LSB's agenda on vulnerability:** we have set out our agenda on vulnerability and how we plan to support our firms and the industry through both our oversight programme and research and development work, some of which will be conducted jointly with key stakeholders in the sector. Our agenda will be published via our website shortly.

For more information, please visit our website www.lendingstandardsboard.org.uk

Lending Standards Board