

# **The LSB's Information for Practitioners**

The Standards of Lending Practice for  
personal customers

## **Consumer vulnerability**

June 2021

This document has been produced by the LSB and provides non-exhaustive examples of the approach registered firms may wish to take into consideration when seeking to adhere to the Standards of Lending Practice (the Standards) on consumer vulnerability.

Registered firms must be able to demonstrate to the LSB that they are adhering to the Standards of Lending Practice; however the LSB does not monitor compliance with the content of this document and as such, it is not intended to be prescriptive nor binding on registered firms. The LSB acknowledges that each firm will have its own way of demonstrating that it is adhering to the Standards without the need to refer to, or take account of, the content of this document.

Where a Standard cross references to the Consumer Credit Act 1974, as amended (the CCA), the Consumer Credit Sourcebook (CONC) or other Financial Conduct Authority (FCA) requirement, the examples or suggestions which follow represents the LSB's view on how the Standard could be achieved but should not be considered to supersede the wording or intention of the CCA/CONC or the FCA.

This document will be kept under review and will be updated on an ongoing basis as the LSB gathers further examples of the work which is being undertaken by the industry in this area.

Firms may also want to consider the FCA guidance for firms on the fair treatment of vulnerable customers ([FG21/1](#)).

**Customer outcome:** inclusive products and services take into account the broad range of customers to which they may apply and contain appropriate flexibility to meet the needs of vulnerable. A vulnerable customer is someone who, due to their personal circumstances, are especially susceptible to harm. Where customers are identified as, or the firm has reason to believe that they may be, vulnerable, appropriate adjustments are made to ensure that their individual circumstances are accommodated to enable the customer, or their authorised third party, to manage their account(s).

**Firms will achieve this:** with systems and controls that are capable of assisting in the identification of customers who are, or may be, vulnerable, and by having appropriate measures, referral points and skilled staff to deal appropriately with the customer once identified.

**CV1. Firms should have a vulnerability strategy, which defines its approach to the identification and treatment of vulnerable customers, through whichever channel they choose to engage**

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In the LSB's view, a firm's vulnerability strategy should take account of its business model, product and service offerings and growth into new areas, across all distribution channels including digital where possible, to ensure a consistent approach to identifying and managing vulnerability at all stages of the customer journey. This would include the point at which a product or service is designed, through to account servicing, including pre-arrears collections and complaints.

Firms should ensure that there is executive level support and accountability for developing a fair approach to dealing with customers in vulnerable circumstances, recognising that the strategy will need to be reviewed, evaluated and strengthened based on what works well and not so well. This should be supported by appropriate management information, governance frameworks and strong reporting lines to the executive to ensure vulnerability continues to remain a corporate priority.

The LSB is aware that many firms already engage with charities in a variety of areas; positive engagement with these organisations can help to provide firms with a more detailed insight into dealing with customers with specific conditions, or those who are going through a particular circumstance, e.g. MIND and the Money and Mental Health Policy Institute for mental health problems, and UNLOCK for prisoners, which could be used to develop and improve existing policies and procedures. Developing a working relationship with charities at a business level can allow for the sharing of best practice and support a better understanding of vulnerability, as well as providing an external view on the adequacy of a firm's policies, processes and training in supporting customers in vulnerable situations.

The LSB recognises that identifying vulnerability can be difficult within a digital platform and there is need for guidance and a longer term solution for digital depending on the nature of the vulnerability.

The LSB would encourage firms to consider the development of customer feedback mechanisms which could be used to explore the practical impact of the current structures in place. Consideration could also be given to establishing formal and informal focus groups to gain insight into their customer base and utilising for example, short customer experience questionnaires.

**What might good practice look like?** Firms have processes in place to ensure they regularly engage with consumer representatives and/or customers who have experienced challenges when dealing with products in circumstances that have made them vulnerable, so they can understand what currently works well and what could be improved.

**Area for consideration:** Firms could establish a set of common ‘principles’ which underpin the design and operation of all products and services, to help ensure the fair and consistent treatment of customers in vulnerable circumstances. These principles may include: a consistent definition of vulnerability across the organisation, methods of support, and guidance to business areas.

**What might good practice look like?** Firms are aware of key factors that may increase the likelihood of customers becoming vulnerable and experiencing harm as a result. This could include issues that affect customers in the short term, or issues that have a long-term impact on customers. While many drivers of vulnerability, and associated harm, will be outside of a firm’s control, firms should be aware that their actions, or employees or agents’ actions, could cause or exacerbate vulnerability. This might happen, for instance, where a firm is mis-selling products which adversely affect a customer’s credit score, where materials produced by firms are not accessible, or where a customer is treated poorly by a member of staff when making an enquiry which may cause them to avoid conversations with the firm, even where they would be helpful to the customer.

**Area for consideration:** Firms should take steps to identify how vulnerability can affect a customer’s ability to interact with their product or customer facing members of staff at each stage of the customer journey. This includes difficulty processing information, emotional responses to questions or during conversations, and low confidence when discussing products.

**CV2. Firms should have policies and processes governing the identification and treatment of vulnerable customers. These should take into account the channel(s) used by the customer, where the customer is within the customer journey, and the varying nature and characteristics of vulnerabilities**

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Vulnerability can manifest itself in different ways, such as a reduced understanding of alternative products (including features and suitability) or lenders, and confidence in engaging with the firm. It can impact upon a customer’s access to the market or may mean that they are less likely to shop around for credit. Alternatively, they may apply for unsuitable products across different lenders without fully appreciating the implications for their credit file of doing so. The LSB would encourage firms to think of vulnerability as a fluid state which is not limited to a certain group of people. The way in which an individual may handle or respond to a situation can vary, based on personal circumstances, past experiences, and individual characteristics such as: levels of resilience, the availability of support networks and in the case of a medical condition, the impact and extent of their symptoms. Every individual is unique and should be treated as such. This means that not everyone going through what could be considered a vulnerable situation is automatically vulnerable, and there is a greater need to understand the customer’s circumstances. The LSB believes that this should be underpinned by policies and processes that allow staff to investigate situations, as fully as possible, with a view to

identifying impact and likely support needs by adopting a flexible and tailored approach to managing vulnerability.

When considering the impact vulnerability can have on an individual, firms should have regard to:

- the customer's state of mind (across all channels including, wherever possible, digital and other self-service channels) and their ability to understand key product features/risks and make informed decisions both in relation to new applications and reviewing the suitability of existing products held; and
- the customer's finances, focusing on their ability to manage existing commitments, and the impact the situation may have on current and future income and household expenditure, and the customer's ability to maintain their contractual repayments.

Whilst some elements of the process do not lend themselves easily to the identification of whether a customer is vulnerable, for example online applications/engagement with customers, there should be, as far as possible, a consistent approach in the identification of vulnerability across branch, telephony and digital channels. At the collections stage, firms offering customers the ability to set up an online repayment plan are encouraged to consider how any underlying vulnerability can be identified and taken account of.

Customers should be made aware of the support on offer as part of a firm's vulnerability strategy. In achieving this, consideration may be given to the following:

- the use of clear and fair website content and its presentation;
- using interactive videos to present product information;
- the use of intelligent questioning to check the customers understanding of a product;
- gaining input from external subject matter experts such as charities;
- employing focus groups on website design and content;
- the use of Frequently Asked Questions (FAQS);
- the availability of web chat facilities;
- clear signposting of details for telephony teams for additional help and support where needed;
- setting parameters to prompt a manual assessment where there have been a number of searches registered at a credit reference agency within a short space of time;
- staged wellbeing questions which may indicate a vulnerability; and
- examples of other customers that have been helped and their circumstances.

### **Proactively identifying vulnerability: existing account holders**

The market can play a significant role in creating or exacerbating a vulnerable situation. For example, an increase in interest rates may impact affordability on existing repayments, which, coupled with a change in circumstance, may cause anxiety or stress which in turn could affect the customer's ability to manage their finances and deal with the firm.

## Raising flags and single customer view

The LSB would encourage firms, wherever possible, to seek to establish a single customer view. It is acknowledged that for some firms, the ability to implement this across the organisation may be hampered by legacy systems. Where feasible, manual workarounds should be considered to ensure that multiple accounts can be linked so that correspondence and account activity is coordinated and the customer doesn't have to repeat information they have already provided.

Firms may wish to develop or implement a code or a flag which allows for easy identification of customers who require additional support, or as a way of indicating that caution should be exercised when for example, pro-actively extending credit or contacting a customer during the debt collection process. The flag could also prohibit a pro-active extension of credit where a customer is identified as vulnerable and the information provided indicates that they would not be able to sustain the increased level of borrowing.

**What might good practice look like?** When a customer is identified as being vulnerable, a flag is applied which has the effect of ring-fencing the account from mainstream collections. This allows for the application of more bespoke treatments and forbearance measures based on a detailed understanding of the customer's vulnerability.

As vulnerability can vary in degrees of permanence, and taking account of the requirements of the DPA 2018 and GDPR, the length of time the code or flag is used for is of prime importance, particularly where a flag is raised but the information is no longer considered accurate or up to date. A flag should not be maintained unless it is necessary to ensure the individual can be treated properly and that the information remains current. Whilst the responsibility of keeping information up to date resides with the firm, this should be a collaborative approach with the customer, or their authorised third party, encouraged to keep the firm informed of any changes in their personal circumstances, to ensure that any adjustments offered remain appropriate and relevant to the customer's support needs.

The Equalities Act 2010 places an obligation on firms not to discriminate against a customer because of protected characteristics, this may be characteristics identified as increasing a customer's risk of experiencing vulnerability. Firms must ensure that sensitive information regarding the customer's vulnerability is only used as a means to support the customer and meet their needs through, for example, the application of reasonable adjustments or, where applicable, forbearance.

**What might good practice look like?** The use of flags to identify cases where customers require additional support. These could be used by staff to quickly identify that the customer is vulnerable and to prevent the customer having to repeat information which they have already provided about their circumstances. In the case of a debt collection agency or a debt purchaser, where the customer consents to recording and sharing information regarding their vulnerability with the creditor, information is shared to allow decisions to be made around the management of a customer's account. This may be helpful in more complex cases of vulnerability where a decision around write off from the creditor may be required, as the creditor has access to customer information to make an informed and balanced decision.

**Area for consideration:** Firms should put in place measures to account for customers in the UK who may not have a permanent address to use for their financial services products, with an ‘unsecure’ address, or those who cannot consistently access their post. This could include ex-prisoners, people who are homeless, refugees, and victims of domestic abuse. Where potential and existing customers are in a situations where they are required to have proof of address to apply for products, need to access post as part of communications with a firm, or need to use their address for on-going account maintenance but feel it is no longer secure (e.g. need a new credit card issued), firms should consider alternative addresses to enable these people to fully access financial services and products.

**Area for consideration:** Firms could work closely with experts to help identifying people most at risk of harm. For example, working with gambling charities to identify those struggling with addiction. Firms could consider whether they could take steps to understand if products are being used for gambling purposes and, if appropriate, then be able to refer customers to gambling support.

**What might good practice look like?** Building in regular review points for customers and staff, where it might be beneficial for the customer to remain engaged. The frequency of review should be bespoke to the customer’s circumstance and determined by a complete and full understanding of their situation, including, for example, the duration of any forbearance offered.

**What might poor practice look like?** Customer reviews are undertaken based only on the information available on the system and no attempt to reach the customer is made. This could lead to firms missing where customers are experiencing a change in circumstances.

**What might poor practice look like?** Failing to refer to information previously provided by the customer to ensure that previous issues, such arrears on priority bills, have now been dealt with.

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**CV3. Firms should ensure that their employees and their agents are sufficiently trained to help them to identify, and respond to relevant disclosures by, customers who may be vulnerable and to deal with these customers in accordance with their policies and processes**

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Firms should consider how they can provide training to all staff to help them identify and manage vulnerability. Firms may also wish to establish dedicated specialist team(s), with greater levels of training, knowledge and the flexibility to make decisions.

There are a number of approaches which can be taken to training and supporting staff to identify and support vulnerable customers and each firm will have its own way of achieving these. Examples of these are: front line staff acting as ‘listening posts’ to identify indicators of potential vulnerability, seeking explicit consent to record and share sensitive data and referring to a dedicated specialist team for more bespoke support and assistance. Alternatively, firms may wish to train all front line staff to an enhanced level to identify and support customers in vulnerable situations. This could be supported

by formal and informal escalation routes to operational, legal and regulatory risk teams for further guidance and support for more complex cases.

Building staff capability through training is critical in empowering staff to handle difficult conversations with confidence knowing that they are fully supported in making the right decisions.

This can be achieved through:

- The development of a bespoke computer-based training module on vulnerability, using scenarios to increase understanding of the different types of vulnerability and the corresponding needs of customers. Material should be regularly refreshed with controls in place to monitor completion;
- Training on conversation models, to support the implementation of the TEXAS and IDEA models, to assist staff in handling vulnerability disclosures and to probe situations fully, whilst documenting the customer's support needs;
- Delivering role-specific training using practical examples and the different types of situations staff may come across day to day. The use of role play may help to bring the concept of vulnerability to life. Staff are encouraged to break the conversation down, to identify areas where they could have probed further, or asked a question in a different way.
- Building case studies based on 'real life' customer encounters to illustrate, and bring to life, the support that is available through the firm, with reference to policy and procedural guidance. Case studies may be a positive way in breaking down some of the perceived barriers in implementing the policy, empowering staff to make the right decision based on the customer's needs;
- Creating a centralised repository of information to assist staff in identifying and supporting customers in their day-to-day role, for e.g. this may be achieved through a dedicated vulnerability hub. This hub may operate as a one-stop-shop, where the information is accessible through the firm's intranet site, enabling staff to retrieve and recall useful material to support their interactions with customers.

Firms could look to raise customer awareness of the different types of support available, whilst being mindful of how this support might be positioned, as reference to a 'vulnerable customer team' can be intimidating for some customers who do not identify their situation with that term. Outlining the benefits of a specialist team, and the support available, may help put some customers at ease, and encourage them to be receptive to the different types of support the firm can offer.

The structure and remit for any specialist team should be designed to suit a firm's business model (taking into account resourcing and capacity) to manage those customers identified as requiring further support. In all cases, staff should be encouraged to exercise discretion, thinking practically about the implications of their actions and deliver a fair customer outcome. This should be balanced by appropriate targets and measurement systems which support the fair treatment of customers and robust monitoring systems which ensure fair outcomes are achieved and levels of staff competence are maintained.

Many firms have dedicated specialist team(s) to support customers in vulnerable circumstances within collections; whilst the impact of vulnerability in relation to problem debt may be particularly acute,



not all customers in a vulnerable situation are in financial difficulty. Vulnerability can occur at any stage in the customer journey and therefore the LSB would encourage firms to review at which point referrals to specialist teams are made, and consider whether the remit of any existing teams can be expanded to accept referrals from customers who require additional support but are 'up to date' and not in arrears.

**What might good practice look like?** A dedicated induction programme, with a module on vulnerable customers, supported by discussion based on case studies of 'real life' customer encounters, covering vulnerabilities which range from accessibility issues to mental capacity.

**What might good practice look like?** Operating a specialist team which is able to provide additional guidance and support to front line teams where they are unsure of the support that can be provided or the action that can be taken when dealing with customers who are potentially vulnerable. Staff are aware of the availability of this team and the scope of the support they can offer.

**Area for consideration:** Raising awareness of the various types of charitable organisations and the remit of their services allows for more intelligent signposting. This could be achieved via training and maintaining information in a centralised hub such as an intranet for staff to refer to, or a dedicated section on the firm's website.

**Area for consideration:** The use of scripts can make an adviser sound insincere; removing the requirement for call scripts, or enabling flexibility for free flowing conversations within them, allows for the adoption of a more customer service based/conversational approach to handling calls. This can also allow staff to tailor their conversation with the customer based on the individual's circumstance and respond accordingly.

**What might poor practice look like?** Recording that a customer is vulnerable because they hit a trigger but without seeking to fully understand the customer's situation and assuming that all customers who are experiencing a particular condition or situation will respond in a similar way.

## Data protection

The DPA 2018 and GDPR requires firms to seek explicit consent from customers when recording and processing sensitive personal data; this includes information about a customer's vulnerability. Firms can face difficulty in this area when recording information in situations where consent is not forthcoming or the disclosure is from a third party such as a family member or carer. The Information Commissioner has clarified that when reviewing the fairness of a decision to record information, it will have regard to the merits of each individual case and the overall customer outcome. There are elements of information which can be recorded. Examples include:

### When dealing with disclosures from unauthorised third parties:

- adopting a 'can do' attitude, recognising that a sensitive approach to handling the call is key, and that by proceeding with the call you may help alleviate some stress;

- prevent disclosure of account information or transactional data, but note down any unverified disclosures in a comprehensive and factual manner so that this information is visible where possible, at a single customer level; If systems do not allow for a single customer view, ensuring there is a manual work-around to allow staff to identify each account the customer holds, to coordinate account activity and correspondence and prevent conversations from having to be repeated.
- outlining next steps, having regard to the nature and duration of the customer's vulnerability, and considering the different types of third-party authorisations available, including: temporary delegation, third party mandates, or a longer term power of attorney.

#### **When dealing with the customer:**

- giving full consideration to any action that needs to be taken by the firm to prevent the account from deteriorating. This should be supported by an explanation of any appropriate action taken, how their data might be used and shared. This may also include setting out how the account will operate; for example, 'the account will be placed on hold; this will mean that during this time no interest and fees will apply.'
- recognising that evidence is not a pre-requisite, and is only requested where it is felt that this information will assist the firm in understanding the customer's situation better and to help the customer. Where evidence is requested, firms should ensure they do not follow a rigid process, adopting a pragmatic approach and giving consideration to alternative (free) forms of evidence so that the customer's financial situation is not exacerbated.

Not all customers will be forthcoming with information, particularly during early interactions, as there may be a fear that this could adversely impact the customer's ability to apply for credit, or the perception that the information may be construed negatively when setting up a repayment plan at the collections stage. Alternatively, customers may simply believe that the firm does not need to know such personal information about them and lack understanding of how any information they provide will be used. Therefore, the importance of softer skills such as the ability to listen, empathise and question in a sensitive and patient manner is critical to a successful vulnerability strategy.

Customers should be provided with a clear explanation of how any sensitive information they wish to disclose might be used and the circumstances in which it might be shared across the firm, for example that it will be used to ensure that products and services offered to the customer take account of their circumstance and are appropriate for their needs.

**What might good practice look like?** The effects of dealing with certain situations on a daily basis can be difficult and sometimes traumatic for staff. Whilst possessing the necessary skills and qualities to deal with vulnerable customers is integral to firms providing a fair and positive customer experience, firms ensure that they build and maintain an appropriate support network for staff in these particular roles. This may include the option for counselling, regardless of whether they sit within a specialist team or not, building a good rapport within teams, knowing that they can ask questions and access immediate support via team leaders.

**CV4. When a customer is identified as vulnerable and susceptible to harm, a firm should ensure that its employees or its agents have the ability to offer appropriate support. Where circumstances require, referral and escalation points are in place and employees or agents are aware of how to access them**

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The ability to deal with and empathise with a customer who is vulnerable may not be something which comes naturally to all members of staff or despite training, they do not possess the necessary soft skills to deal with customers who may be particularly vulnerable. Firms should ensure that where there are specialist teams in place, mechanisms exist to refer the customer to appropriate support and that staff understand how and when they should refer a customer to a 'vulnerability champion', or a specialist team in the case of larger firms.

Where specialist teams are in place, a single point of contact may be appropriate and beneficial for the customer but consideration should be given as to whether this could create a dependency upon individual members of staff. This may be more apparent at branch level or in the debt collection space where customers have a regular relationship due to the account review process or where the customer visits the branch regularly. Whilst it can be of benefit for a customer to deal with someone who has prior knowledge of their circumstances, consideration should be given as to whether this places too much of a burden upon the member of staff or creates a more dependent relationship than is appropriate in the circumstances. Staff should be supported and trained to identify these situations and know when and how to seek advice and support, should they need it. Consideration should also be given to the need to record comprehensive notes which detail any previous conversations held with the customer, including, where relevant, any reasonable adjustments made and the application of any forbearance measures.

**What might good practice look like?** A specialist team is responsible for providing a 'chaperone service', offering a single point of contact for customers identified as vulnerable. This means that issues requiring resolution across departments are coordinated via the specialist team, and that customers do not have to repeat their situation. Comprehensive notes are maintained to ensure that any future correspondence with the customer takes account of any previous conversations with the customer.

**Area for consideration:** Offering rotations within the teams and across the firm so that, for example, agents are allocated a number of vulnerability queues, which means that each call requires a different skill set depending on the vulnerability they are dealing with; ensures agents are engaged and that their knowledge and experience continues to develop.

## CV5. Firms should develop appropriate materials to assist employees in the identification and subsequent monitoring of customers who may be vulnerable

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Developing materials, such as guides on potential triggers of vulnerability, can support front line staff in identifying and monitoring signs of potential vulnerability. This could be underpinned by targeted training and material which help with educating staff on potential vulnerability triggers. This can be particularly helpful as customers or third parties may volunteer information, whether consciously or not, when interacting with a firm and these opportunities should not be lost.

Each customer is different as is their ability to cope, therefore it isn't possible to list all of the examples of information which the customer may provide or which could have a detrimental effect upon the customer. However, such examples could include life events such as the breakdown of a relationship or bereavement which may affect their ability to meet their housing costs/other commitments or even the ability just to cope with day to day living.

Training on identifying and exploring information volunteered by the customer during conversations could take account of the more overt, such as: being in receipt of a disability allowance, being off work for a period of time, or a drop in income. The customer may also use phrases such as: "I cannot cope", "I'm having difficulties managing at the moment", "I'm struggling to get back on my feet".

There are also softer behavioural triggers, which, whilst not obvious, may indicate that the customer requires further support. These include: signs of agitation, tone of voice, questions or answers which indicate the customer does not understand what is being explained or placing reliance on a third party for support, or seemingly asking the same question in multiple instances, where there are no existing mandates or authorities in place. Whilst the LSB recognises that not every trigger may result in a customer being identified as vulnerable, they are indicators that should be probed and explored further to encourage a complete understanding of the customer's situation. The information should be recorded, with the customer's consent, to facilitate a 'tell us once' approach, where appropriate. This will ensure that opportunities are there for firms to identify red flags and to raise warnings. It may not be necessary for firms to record every customer interaction, firms may wish to consider a broader review of the account and identify customers who make multiple calls and/or visits to a branch.

The benefits of maintaining a digital platform means that in most instances firms have access to a large array of transactional information on customers, which, with the correct data analytic tools, can help decipher trends and flag up anomalies. There may be scope to analyse data to help identify account activity which may indicate that there has been a change in financial circumstances, or where internal and external data sources show potential signs of financial stress, where the underlying cause may be attributed to customer vulnerability. For example, signs may include: fluctuations in income shown through reduced credits to an account and/or repeated incurrence of fees and charges.

**What might good practice look like?** Proactive monitoring of accounts where transactional information or internal/external data shows potential signs of financial stress, and where the underlying cause may be due to customer vulnerability.

**CV6. Where a firm is developing a new product or reviewing an existing product it should consider vulnerability as part of the design or review process, paying regard to target market, clarity, accessibility and the operation of the product**

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LSB would encourage firms to ensure that vulnerability is integral to their processes and is not approached as a ‘tick box exercise’ and that this can be evidenced through the product design, development and launch processes/stages. Firms should also refer to the standards on product and service design. [See PD2]

Firms should ensure that product limitations and risks are drawn out clearly to assist a customer’s understanding of a product. This could be accompanied by adequate staff training for customer facing channels and consideration of all content distributed via marketing channels, to assist customers in making a balanced and informed decision on a product, having regard to their contractual obligations. Where products are being reviewed, the LSB would encourage firms to assess how the product is performing in terms of accounting for vulnerability and whether any adjustments are required.

There is also a broader need for customer education around banking products and services. This need is more evident for customers encountering credit or banking products for the first time e.g. young adults where limited knowledge may impact product selection.

**What might good practice look like?** Charities, as subject matter experts, are engaged both in general and during the market research phase of a product which helps to ensure that the viewpoints of those experienced in dealing with customers with certain vulnerabilities are represented and accounted for. This is also of benefit when designing/reviewing customer facing documents such as account information, terms and conditions etc.

**CV7. Firms’ sales policies and processes should take account of the impact vulnerability may have on a customer’s ability to make an informed decision about a product and provide relevant support to customers during the credit application process**

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Firms should have mechanisms in place to support customers identified as vulnerable, however, there is a challenge in ensuring that the customer is given sufficient information to help make a balanced and informed decision. Vulnerability can take many forms, and the needs of customers may also vary, which can make it extremely difficult for staff to manage, particularly where sales policies and processes do not account for vulnerability at the point of sale.

The stress associated with being in a vulnerable situation may have an adverse effect on a person’s emotional state and cognitive ability. This may include general feelings of anxiety, the feeling of being unable to cope, being too upset to talk, finding it difficult to concentrate and assimilate information to help make and communicate an informed decision. Firms could provide further training and guidance to staff which may include:

- Educating staff on the types of support the firm can offer in cases where vulnerability is identified at acquisition; this may include: giving customers the time to reflect on the information they have received, allowing a family member to accompany the customer

in a face to face meeting, or defining referral points for a specialist team to engage with the customer;

- In the context of vulnerability, what good non-advised sale process might look like with practical examples of support the agents can provide, whilst avoiding straying into implied advice, and what the consequences might mean for the customer;
- In cases where the firm has concerns over product suitability (having supported the customer in making an informed borrowing decision), but the customer insists they want that product, having escalation points for those decisions to be considered in greater detail including, for example, considering further avenues of support. Where there remain concerns over the customer's ability to understand, make or communicate an informed decision following the offer of further support, a decision not to lend may, in the circumstances, be considered an appropriate outcome.
- Strengthening quality assurance frameworks to ensure staff are assessed on the quality of their sales, on a non-advised basis, reflecting this requirement in staff objectives and targets; and
- Increasing use of mystery shops and feeding the outputs of this into strengthening existing process.

**Area for consideration:** Using existing guidance and research to train teams engaging with customers across any channels to identify vulnerability and to assess the customer's ability to understand, weigh up and retain information. Staff could be trained to utilise questions from the Royal College of Psychiatrists guidance to test a customer's understanding of a product. This requires customers to confirm key product terms and associated risks, and whilst the questions will be product specific, examples may include:

- can you summarise the key consequences of entering into this credit agreement?
- can you tell me what the consequences will be if you start to miss payments?
- can you tell me what the total amount is that you are borrowing?
- how long do you have to pay it back?
- how many payments will you have to make?

**What might good practice look like?** Referral to a specialist team for new applications where the customer is identified as being vulnerable prevents an automated decision and triggers a manual underwriting process.

**What might good practice look like?** Applying flags to applications from customers who are identified as vulnerable, means that the specialist team remain responsible for supporting the customer in managing the account or, in the absence of a specialist team, staff are able to easily identify accounts which indicate that the customer may require further support.

**CV8. Where customers in financial difficulty are considered vulnerable, they should be dealt with positively and sympathetically. [See also financial difficulty]**

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Being in financial difficulty can be a stressful situation for a customer who is not vulnerable, therefore when dealing with customers who have been identified as, or the firm has reason to suspect that they may be vulnerable, there is a greater need to fully understand the customer's circumstances. The way in which a person handles a particular situation could mean that for some there is a limited or very little personal or financial impact at all. For others, there are days where the impact is particularly heightened. Firms should have the structures and processes which allow their staff to investigate situations, and equip them with the knowledge, confidence and skills to question and explore circumstances appropriately, with a view to identifying impact and likely support needs of the customer.

**Collections**

A majority of firms have established specialist teams within collections to assist customers identified as vulnerable and in financial difficulties. Developing and maintaining relationships with free money advice agencies and charities will help to ensure that these teams are, and remain, effective.

**What might good practice look like?** The control framework includes case reviews which consider emails, letters and calls made to customers identified as vulnerable over a period of time. This allows a firm to assess the effectiveness of its collections strategy including contact, approach to setting up a solution and evaluating whether the solution is appropriate given the customer's circumstance. The outputs could be used to feed into broader process, policy and strategy reviews.

**Area for consideration:** For longer term situations, considering the financial impact including the cost of travel to hospital, medication, reduced income as part of the income and expenditure so that any plans set are reflective of the customer's current situation and are affordable and sustainable.

**What might good practice look like?** Firms' payment collection staff or contractors are provided with guidance on how mental health problems can make it harder to manage money and communicate with creditors.

**Debt sale**

The Standards of Lending Practice prohibit the sale of debt where there is evidence of an ongoing mental health problem or critical illness that affects the customer's ability to repay their debt. The LSB acknowledges the impact that any vulnerability can have on a customer's state of mind and their ability to maintain their existing financial commitments. Where vulnerability is identified by the creditor, these accounts should be ring-fenced and not sold.

Vulnerability can occur at any time during a customer's relationship with their lender, including post debt sale. Responsibility for managing such accounts should be agreed between the creditor and the purchaser up front, though any decision should give due consideration to:

- assessing each case on its merits, which may include having regard to the nature and longevity of the customer's situation; and
- the customer experience and risk to customer outcomes.

The guiding factor is to ensure a seamless and uninterrupted customer experience and a fair outcome.

Looking beyond collections and debt sale, consideration must also be given to customers who are in financial difficulty and/or considered vulnerable but are managing to maintain payments to the creditor.

**What might good practice look like?** Capturing the customer's consent to disclose information to the creditor at the contingent collections stage allows the creditor to make a decision based on the customer's circumstance to leave the account where it is or recall. This also ensures that where an account was recalled, the customer would not need to divulge information to the creditor again, preventing a 'cold hand-off'.

**What might good practice look like?** Due diligence frameworks and audits ensure outsourced collections agencies and debt purchase firms have processes in place to deal fairly with customers identified as being vulnerable.

#### **CV9. Firms should undertake monitoring and assurance work to ensure that the vulnerability policies, processes and controls are designed and operating effectively and delivering fair customer outcomes**

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As firms document and develop their vulnerability strategies, consideration should also be given to the ongoing evaluation of these strategies to ensure that the relevant strategies continue to operate in a manner that is conducive to the delivery of fair customer outcomes. This could be achieved through:

- ongoing review and assessment of the design and operational effectiveness of policies, processes and training, along with an assessment of the internal control framework.
- testing the full customer journey through using case reviews to form a view on the overall effectiveness of the firm's strategy, response to a situation and appropriateness of the solution offered.

**Area for consideration:** Case reviews are incorporated into the control framework. This could involve reviewing letters and calls to customers identified as vulnerable, regardless of where they are in the customer journey, over a specific period of time. This allows for an assessment of the effectiveness of a firm's collections strategy from the point of contact with the customer, the approach to setting up a solution and evaluating whether the solution was appropriate given the



customer's circumstances. The outputs from this work could be fed into broader process, policy and strategy reviews.

**Area for consideration:** Case reviews for customers identified as vulnerable earlier on in the 'customer journey' could be undertaken. The outputs of these assessments could assist a firm in identifying whether the treatments/solutions offered or approach taken at an earlier stage, are helpful in preventing the customer from getting into difficulty.

**Area for consideration:** A customer experience forum is established which has representation from all areas of the business. The forum allows staff to raise concerns based on their experiences. The output from the forum could be used to improve processes for example, a revised income and expenditure or enhancements to the content of customer letters.

**What might poor practice look like?** Empowering agents to make decisions relevant to the customer's circumstance but with a control framework which assesses a call or a case based on the agent's ability to meet policy and process rather than the attainment of fair customer outcomes.

## Management Information

Management Information on vulnerable customers should be outcomes focused and forward looking rather than just looking at the identification of customers or the numbers referred to specialist teams. Firms will have their own approach and strategies for what type of information is captured and how this is reported but it could include:

- the number of vulnerable customers identified
- types of vulnerability - if there is a peak in certain vulnerabilities there may be a need to engage with specialist charities to encourage a better understanding
- areas in which support is offered e.g. sales/collections/account support, as it may identify where practices are working well or where they need development
- solutions/interventions offered to the customer, case review information could be fed into this to consider whether the solutions or approach taken for the customer is appropriate
- an indication of outcomes, which would allow firms to assess the effectiveness of their interventions and form a view as to whether these need to be enhanced/removed/re-viewed and developed.

**What might poor practice look like?** MI is focused only on the identification of vulnerable customers, referrals to specialist teams and the nature of the vulnerability with no assessment of whether the solution offered to the customer was appropriate for their situation.

**What might good practice look like?** Data is reported in a monthly dashboard and discussed at committee level with senior visibility.