

The LSB's Information for Practitioners

The Standards of Lending Practice for
personal customers

June 2021

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Product and service design

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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 account maintenance and servicing.

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 where the LSB identifies further examples of the work which is being undertaken by the industry in this area.

Customer outcome: customers will have access to products and services which have been designed to take into account the range of customer circumstances and needs throughout the customer journey.

Firms will achieve this: with systems and controls at the product and service design, delivery and review stages which will enable firms to assess how products are being accessed and used by customers, with a view to continually developing and improving both the customer journey and customer outcomes.

PD1. Firms should ensure that the product and service design stages take into account internal and external risks which could impact upon a customer's ability to maintain their repayments so that new products do not lead to unsustainable borrowing

Firms could consider a broad and realistic view of internal and external risks which may impact on the customer's ability to maintain product repayments to help ensure that new products do not lead to unsustainable borrowing. Firms may benefit from having frameworks in place which support both new product design as well as regular reviews of existing propositions.

Examples of areas for consideration include:

- Considerations in respect of the target market, and how validation of product features and usage is undertaken both pre and post launch, to ensure they are and remain fit for purpose.
- customer research to test the understanding and usefulness of the proposed product and features.
- Ease of access for customers via the relevant sales channels and the alignment of checks and controls.
- Application decline rates and the associated rationale.
- Internal account performance data, such as accounts which operate within the terms of the product versus those that breach them, and any identifiable trends, such as accounts falling into arrears at an early stage.
- Customer feedback from a range of sources such as customer satisfaction surveys and complaints.
- Wider economic factors, such as changes to the employment market, significant changes to the benefits system, the effects of the pandemic (both its initial impact as well as the ongoing issues that it creates), changes to housing market and associated costs (such as rents), Bank of England base rate changes and how these, and other factors, may impact the ability of customers to service the account.

What might good practice look like? Utilising lived experiences provides useful knowledge and greater insight into a customer's needs which can feed into the product design process. Consumer involvement in the initial stage of the design process can help firms to better understand customer's potential needs. This can be used to improve the overall customer experience when accessing a product or seeking support at various points of the customer journey. This may be achieved through engagement with consumer organisations, staff with lived experience, or through direct consumer participation, through focus groups for example.

What might good practice look like? Involving a range of internal teams in the design process. This, for instance, may include those responsible for back-end product development and those in customer facing roles, including members of financial difficulty and vulnerability teams.

PD2. Firms should consider a broad range of customer circumstances and needs throughout the product design, approval and review stages. In particular, consideration should be given to:

- a. the accessibility of products and the risk of exclusion, to help make sure that there are no unnecessary barriers to using or accessing a product;**
- b. customer vulnerability, to help reduce the risk of vulnerable customers experiencing harm and to ensure that customers can be offered, and have access to, appropriate support throughout the lifecycle of the product; and**
- c. the treatment of customers at risk of, or experiencing, financial difficulty, to help ensure that appropriate support will be available for those customers.**

Firms should have in place processes to ensure that during the various stages of the product and service design process, and in subsequent reviews, consideration is given to the diverse range of customer needs and circumstances. Firms may want to consider both the needs of target market customers and the need of a broader range of customers that may look to access a product once it is launched, to try and take into account the potential issues customers may face throughout the lifetime of the product.

To help achieve this, firms could involve customers in the design stage of a product, ensuring products are developed to meet real needs of customers. In seeking to include customers in the product design process, firms may want to consider a range of methods. This could include mystery shops, focus groups, and pilot launches. Firms may also want to consider reflecting on case studies, utilising internal MI, for example complaint level information or trends analysis of customers who have required additional support when using a product or accessing a service. Firms may also want to engage with charities or organisations that would be able to help firms understand the needs of certain customer groups.

Firms may also wish to consider [guidance on inclusive design](#) produced by Money Advice Trust and Fair By Design.

Accessibility

Firms should ensure that any design or review process includes consideration of customers that may experience difficulty accessing certain products. Customers may experience challenges in accessing credit products for a number of reasons. This could include barriers to accessing the services a firm offers, such as language barriers, mental health problems, not being able to access products offered digitally due to poor internet connectivity in certain regions, or low levels of digital capability. Some customers, for instance, may not have access to an email service. It may also include customers who

require translations, those that do not have a fixed residence, or who have not been able to build a credit rating in the UK.

Firms should, before any product is offered or process put in place, consider whether reasonable steps could be taken to improve accessibility for customers who may benefit from being able to use a product the firm is offering. Similarly, when products and processes are reviewed, firms should consider whether changes could help increase access to products for those customers who may benefit from being able to use them.

What might poor practice look like? Products are designed so digitally skilled customers can easily complete the application process, but without support in place for customers who may need help or guidance at particular points in the process but who still want to, and are able to, complete the process in a digital environment.

Vulnerability

A vulnerable customer is someone who, due to their personal circumstances, is especially susceptible to harm. All customers are at risk of becoming vulnerable, and so it is important that firms consider the potential characteristics and risks associated with vulnerability when designing or reviewing products, and take steps to reduce the likelihood of those customers being excluded or experiencing harm.

Firms may wish to involve customers with lived experience of vulnerability or organisations that represent consumers at risk of vulnerability. This could include, for instance, customers who have experienced:

- mental health problems;
- long term physical and mental illness;
- challenges relating to old age and/or retirement;
- gambling or substance addiction;
- a significant life event which has contributed to challenges in managing finances, such as a bereavement or significant income shock.

Firms will also want to consider the LSB standards on consumer vulnerability and the [guidance](#) provided by the FCA on the fair treatment of customers in vulnerable circumstances.

What might good practice look like? Involving customers, for instance those with lived experience of mental health problems, in the design and testing of their services and products, to ensure that they meet the needs of these vulnerable consumers.

When designing relevant lending products, and related processes, information and materials, firms should consider the potential vulnerability to have an impact on the customer's spending habits. For instance, in considering consumers vulnerable to spending addictions, firms could consider implementing measures to enable them to proactively limit their ability to access loans or overdrafts via opt-outs.

Area for consideration: Firms will want to consider at the design and review stages how customers can best be provided with support and relevant information when experiencing problems in the customer's journey, for instance should a customer fall into debt. Developing stronger relationships with consumer representative groups and organisations which offer debt advice and support can help ensure the needs of customers are properly considered. This could also include, for instance, working out at a design stage how to provide effective referrals or 'warm transfers' for customers who find themselves in financial difficulty or in circumstances that have been made more challenging due to characteristics associated with vulnerability.

Financial difficulty

Firms at the design stage should consider what support might be required for customers who find themselves in financial difficulty. Firms should consider what a customer journey might look like, including what types of information or support a customer may need to access throughout the product lifecycle, what pre-emptive measures a firm could employ (e.g. the use of communications where a firm believes a customer may have trouble repaying), and what forbearance options might be made available for customers experiencing financial difficulties with the product.

Firms will want to ensure that the design and review stages support the customer outcomes and provisions in the LSB standards on financial difficulty.

What might poor practice look like? When designing processes or materials to support customers who are at risk of or are showing signs of financial difficulty, firms use language that implies that financial difficulties are the result of poor decisions or a lack of financial education. Firms fail to recognise that anyone can fall into financial difficulty and that it can be the result of a range of factors, such as unexpected income shocks or life events.

PD3. Firms should undertake both post-launch and cyclical product reviews to ensure that their products are, and remain, fit for purpose

The LSB considers that post-launch reviews and cyclical product reviews, which take into consideration customer feedback as well as performance metrics, provide an opportunity to ensure the product is and remains fit for purpose. The product design framework could include a post-launch review phase to ensure the product is being accessed, sold and operated as expected and where that is not happening, appropriate actions can be implemented.

What might good practice look like? Cyclical product reviews, conducted on a risk basis, form part of the 'business as usual' suite of controls to monitor performance, risks and track any trends.

The post launch review could also provide a valuable opportunity to review customer outcomes and identify any new risks. When reviewing products, firms should ensure they continue to consider a range of consumer needs and reflect on the experiences of those consumers which have accessed and used the products offered by the firm.

What might good practice look like? Consumer involvement in the review process helps to improve the customer experience going forward. Utilising ‘lived experience’ can provide useful knowledge which can feed into future product design processes. This can be achieved through a combination of engagement with consumer organisations, staff with personal lived experience or experience from customer facing roles, or through direct consumer participation.

PD4. Firms should have in place processes to ensure that appropriate management information is collected to support the review of products and services offered to customers

When designing a new product or customer journey, firms should consider what information should be collected to enable them to review whether the products or customer journey are meeting the needs of customers and supporting fair customer outcomes.

Firms should, in particular, consider what information would enable firms to determine whether products or services could be improved in such a way as to support better outcomes for those at risk of financial exclusion, vulnerable customers, and those at risk of or who are experiencing financial difficulty.

Firms may, for example, find it useful to review:

- Information on the characteristics of customers accessing products, customers who are having applications declined, and customers falling into arrears.
- Information on how products are being accessed and used across available channels.
- Information on how customers are managing their borrowing and repayments, including those customers in arrears.
- Complaints, queries or requests for additional support from customers.
- Indirect feedback, such as that on social media or from staff in customer facing support roles.

Firms should have processes in place to collect this information regularly to help monitor product performance and to track any trends over time. Firms should consider, during any review processes, whether changes could be made to the collection of management information to support better design and review processes in the future.

What might good practice look like? Management information is sought in a timely manner to maximise a firm’s opportunity to utilise this information to support the review of products and services.

What might good practice look like? Bringing in expert researchers and facilitators to help obtain and process feedback from customers, including those with lived experience of vulnerability and financial difficulty. Such feedback can help firms consider what good looks like for customers, support firms in determining how to improve product offerings, and can help ensure that the right management information is collected to enable firms to assess how well products are meeting customers’ needs.

What might good practice look like? Monitoring customer journeys, particularly where these are enabled through digital and self-service options, to determine if steps can be taken to improve outcomes or to offer appropriate support, particularly where signs of customer vulnerability can be identified.

PD5. Firms should have processes in place to ensure that all product information and related materials, across all channels, are clear, fair and not misleading. This includes any material provided to third parties

Firms should use design and review stages to ensure, as required under CONC 3, that financial promotions and communications with customers are clear, fair and not misleading.

Firms should have in place systems and controls at product design and review stages that assess product performance to ensure product information is clear, fair and not misleading and that the information provided will enable the customer to understand the key features and risks of the product including the interest rates, fees and charges that apply. The design and review stages should include relevant product materials which are provided to third parties, such as comparison websites.

Area for consideration: Firms should consider the needs of customers for whom written or spoken English is not their first language. This should also include those customers that use sign language. This should apply to all communication channels and content, including written, digital, and in-person support.

What might good practice look like? All customer facing content, including product information and terms and conditions, is subject to regular review to ensure that language used is clear and accessible to a wide range of customers likely to use a product.

What might poor practice look like? Using inconsistent or complex language when providing information on products or services to customers. Often using non-standard terms to describe products or offers which makes it hard for customers to understand how a product works and to compare offers with those of other firms.

PD6. Firms' should ensure all customer facing processes are as clear and as simple as possible to facilitate transparency and accessibility at both the point of application and the duration of the product

In addition to ensuring product information is clear, firms should ensure that the processes available for customers applying for and using credit products are designed in a way that is clear, transparent and accessible. This is particularly important for customer journeys that are not facilitated by person-to-person engagement. For instance, products which can be applied for and approved online.

Communications with customers must take into account broad ranges of financial understanding, with particular focus being placed on ensuring processes are set out in plain English, and with steps set out in a clear and simple way. It is important that customer facing processes are as accessible as possible to meet a wide range of consumer need.

Area for consideration: Firms should consider additional measures to support customers who may lack digital skills, where they are engaging in journeys which are not facilitated by in-person engagement. This could include producing how to guides or embedding prompts and explanations throughout the digital journey.

What might good practice look like? Adapting content to ensure it can be displayed clearly to customers through the channel they are using. To support this, when offering products via self-service journeys, building in points at which customers can review progress or summaries of key information.

What might poor practice look like? Language used in communication with customers is hard to read, with regular use of financial jargon and terms uncommon to the average consumer.

PD7. Firms should ensure that, throughout the lifetime of the borrowing, customers are able to manage their product and communicate with their firm effectively across the channels offered.

Firms should, when designing a product, be able to demonstrate that they have given consideration to how customers might engage with a firm throughout the lifetime of the borrowing with the intention of ensuring customers are able to manage their products appropriately through the various channels firms might offer.

In particular, firms should identify the key activities customers may need to undertake, such as making a repayment, updating personal details or making a query about a fee, and consider whether customers will be able to make these with reasonable ease across the range of channels offered.

As part of the review process, firms should also consider whether there are changes that could be made to the products offered to better enable their customers to manage their product or communicate with their firm, through either the existing channel(s) offered or via new channels.

Area for consideration: Firms may engage with customers through a range of different channels. Firms may wish to consider how they can use the channels available to give customers the control they need to manage their account effectively. If the functionality of a certain channel is limited, firms should consider: why that is the case; whether there are ways to enable customers to complete a task through that channel; and whether there may be benefits to customers from increasing functionality.

PD8. Firms should ensure that customers are able to access support throughout the product lifecycle via an appropriate channel, including accessing support from a member of staff, where necessary

When designing products and services, firms should consider what support may be needed by customers throughout the customer journey. In particular, firms should consider a broad range of customer circumstances, as set out in PD2, to better determine whether support is appropriately accessible for the firm's customers throughout the lifecycle of the products.

Firms, depending on their offering to customers, may provide support to customers through a range of channels. Firms should ensure that, within the channels available, customers who need to are able to engage with a member of staff in an appropriate and timely way, recognising that this may look different for different channels. Firms should, at appropriate points in the customer journey, look to provide customers with clear information on how support can be accessed and what they can expect when doing so.

Where customers can access support across different channels, firms should, as far as possible, ensure that processes are in place that enable key information to be appropriately recorded to avoid the customer having to unnecessarily repeat information. Recording this information, with the customer's consent where necessary, will help to ensure that members of staff offering support are aware of key relevant information that the customer has already provided to the firm.

When reviewing products or services offered, firms should consider how customers who are using/have used the products have accessed support and engage with relevant teams to help determine if the processes or types of support offered could be improved.

What might good practice look like? Firms consider how customers can access support at all stages of the customer journey. This includes signposting customers to useful materials, such as FAQs or debt advice charities, and providing information on how to access support from staff, if necessary.

PD9. Where products or services are designed to be accessed and used through digital channels, firms should consider what customer support or education can be offered to ensure customers can use the product effectively and securely

There is an increasing expectation that customers will be able to engage with products through digital channels. However, a significant proportion of customers in the UK may still require support to access or use digital services and may, for various reasons, not be able to reliably or confidently access or manage their lending products through digital channels.

Firms should, therefore, consider those who may have issues accessing and operating their product via digital channels, and seek to find solutions which do not impact on a customer's ability to access a relevant financial product.

Area for consideration: Many consumers will find it more difficult to switch to digital channels, for instance, those in communities with less access to online services. Some consumers, for instance, may not have access to, or be comfortable using, an email address. Firms may look to prioritise these groups for face-to-face or telephony services, and where appropriate support consumers in making the transition to digital communications and services.

Area for consideration: People who experience digital exclusion may pay more because they are not able to access to cheaper digital-only products. Firms should consider the impact of this on their customers and try to avoid unfairly penalising those with less digital access. Firms could, for instance, support customers to access online products through telephony or branch services.

Area for consideration: Firms which operate on a digital-only basis may want to consider ways of providing appropriate support for customers who may need to step outside of the digital journey and speak to a member of staff.

PD10. Firms should ensure that design processes take account of regulatory requirements on data protection and the sharing of customers' data

Firms will already be ensuring they comply with any relevant requirements of the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA). Firms using Open Banking as part of the customer journey will also have to ensure they adhere to Open Banking requirements.

Firms should consider, when designing products or processes, how to ensure that any relevant requirements are embedded in the customer journey in such a way that supports a good customer experience.

What might good practice look like? Firms make clear, both at the start of a customer journey and at appropriate points throughout, what information they might need to share with a firm and why they may be asked to share it. Firms clearly communicate to customers the benefits of sharing their data.

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Product sale

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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 product sale.

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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 and when the LSB identifies further examples of the work which is being undertaken by the industry in this area.

Customer outcome: customers will only be provided with a product that is affordable and which meets their needs or requirements.

Firms will achieve this: with systems and controls that ensure the sales process, training and incentives promote the right behaviours and directs their employees, or their agents, to deliver the right customer outcome.

PS1. Firms should ensure that when a customer applies for a credit product, they are advised that checks will be made at, and information provided to, Credit Reference Agencies and that information may also be provided to Credit Reference Agencies during the life of the borrowing [CONC 4]

In line with the requirements of CONC, when a customer applies for a product covered under the Standards of Lending Practice, they should be told whether searches will be made at Credit Reference Agencies (CRAs), whether a record of any search will be retained at the CRA and, if so, that this could impact on the customer's ability to obtain credit elsewhere. The customer should also be told if the details of the account, if opened, will be passed to CRAs throughout the lifetime of the borrowing and that the information will be accessed and used by others. This will include information about the running of the account such as the limit and balances as well as payment performance.

PS2. Firms should ensure that customers are provided with sufficient information to enable them to decide whether the product they are applying for meets their needs and is suitable for their financial situation [CONC 4]

CONC 4 sets out the rules and guidance regarding information which should be provided to customers at the pre-application stage.

When providing information to customers applying for a product, firms should look to ensure that important information is displayed clearly and in a manner that will support the customer to understand the cost of the product.

Applicants should be told how they will be notified of changes to terms and conditions when they become a customer. The LSB would expect that where a customer has been advised of any adverse change to the terms and conditions of their product, the customer is provided with a free and easy means of contacting the firms, including via a freephone number. If the customer operates their account online or digitally, firms should also provide customers with information on how to contact the firm through that channel.

For customers accessing bank accounts, if a customer applies for a basic bank account, they should not be upsold to a full service current account, unless during the course of the application, it becomes apparent that the features of the basic bank account are not suitable for their needs.

In order to help the customer make an informed decision about opening an account, where a firm provides, within its current account range, one or more accounts that provide customers with the

ability to opt out from overdrafts, details of how this works should be provided to customers applying for a new current account, together with a comparison of this type of account against other current accounts offered by the firm without such facility. The comparison only needs to include comparable current account products on which overdrafts are permitted. However, where the firm is told, or has reason to believe, that the customer has already decided on another current account product in the firm's range of current accounts (e.g. a basic bank account), this information does not need to be provided.

Consolidation loans

With regard to consolidation loans, it is important that the product is suitable for the customers' financial situation. Where a consolidation loan is provided to a customer and the firm considers the customer to be in financial difficulty, the LSB would expect the firm to:

- reduce or pay off the existing in-house borrowing that it is aware is being consolidated where the existence of such borrowing is apparent to a firm via their systems. Exceptionally there may be circumstances in which it is appropriate not to reduce or pay off existing borrowing. Where this is the case, the reasons should be documented within system notes.
- the monthly repayments on the consolidation loan should not exceed the total monthly repayments of the debts being consolidated, unless exceptional circumstances apply, for example where the customer has a repayment holiday or an interest-free period under their existing arrangement, which is shortly to end.

PS3. Firms should ensure that the sales process, and any relevant product information presented to customers, is clear and delivered in a way that is suitable for the channel they are using

Customers may look to access lending products across a range of channels. It is important that customers are given the information they need, at the right time, and that they can understand, so that they can evaluate the options available to them, the costs, risks and benefits attached to those options, and which options offer fair value and would meet their needs.

To help ensure that customers are able to apply for and access a product, firms should ensure the sales process is not complicated and that the customer is aware of what they will need to complete an application and what the process involves.

At appropriate stages throughout the sale or application process, key product information, such as key dates, interest rates and fees, should be displayed in a manner that is suitable for the channel and that allows the customer time to consider whether the product is suitable for them.

Firms should consider how to ensure customers have access to further support or information should they need it throughout the application process.

What might good practice look like? Where a customer journey is automated, firms make it clear as to how a customer can contact the firm and, at appropriate points, signposting customers to helpful information, such as FAQs or 'how to' guides.

PS4. If the customer's application is declined firms should, where possible, inform the customer of the main reason for this. Where information obtained from a Credit Reference Agency search is a factor in the decision, firms should inform the customer that they are able to check their credit report from the relevant Credit Reference Agencies

To help ensure customers understand which products are affordable, firms should explain to customers the main reason for a decision to decline an application. This may be as a result of information the firm holds regarding the customer, or as a result of information held by a CRA.

Some customers may lack understanding of how CRAs fit into the application process and how the process of applying for a lending product requires that information is recorded on their credit file. If a customer's application is declined due to information obtained from a CRA, they should be advised of the main reasons why their application has been unsuccessful, told which CRA(s) the firm uses and how to get a copy of the information the relevant CRA(s) hold about them.

The customer should be provided with any materials produced by the firm or directed to relevant pages of the firm's website, which explain how credit referencing works. The ICO's [guidance](#) for consumers advises that if an application is declined and the customer has additional information which may alter the decision, they can request that the firm reviews its decision.

The LSB recognises that where an application is declined due to suspected fraud it may not be appropriate to inform the customer that that is the reason for decline.

What might good practice look like? Where applications or requests for credit limit increases are declined, the customer is provided with clear information about the factors that will have influenced the decision.

This entails more than just telling the customer that this is a result of a poor credit score and could include a set of suggested actions for the consumer to take, such as making sure they are on the electoral register.

Where appropriate, the customer may also be referred to sources of debt advice and support.

PS5. Where pre-application eligibility tools for credit products are offered, customers should be provided with clear information as to how the pre-eligibility check works and whether it will impact their credit file. Firms should also clearly set out the likelihood that a full application will be successful for the customer

If a firm offers pre-application eligibility tools or indicative quotation facilities for credit products, the LSB would expect the customer to be informed prior to a customer beginning a formal application: of the likelihood that an application will be successful; that the rate offered may differ from the headline rate which may not be available; and whether any tool or facility will be linked to their own financial circumstances as known to the firm and CRA(s). If asked by a customer for an indication of the likely interest rate for a product, a firm should either:

- provide an indicative quotation, in respect of which any credit search undertaken is not registered as a full application search at CRAs i.e. it is not used by the lender in its risk assessment; or
- inform the customer that it does not offer an indicative quotation facility and ensure that the customer is aware that, if they proceed, an application search will be registered at the CRA(s).

PS6. Before providing any form of credit, granting or increasing an overdraft or other borrowing, firms should assess, from the information available to the firm at the time, whether the customer will be able to repay it in a sustainable manner without incurring financial difficulty or experiencing significant adverse consequences [CONC 5]

CONC 5 contains rules and guidance in relation to the assessment of affordability and creditworthiness. Consideration could be given to: the type and amount of credit being sought; how the customer has handled their finances in the past; any known further commitments of the customer; any future changes which could be reasonably expected to have a significant financial impact on the customer; internal credit scoring techniques; the customer's income; the reasons for the borrowing and for how long; and where relevant, any security provided.

Where an application is declined, the firm could consider whether the individual would benefit from a referral to free, independent debt advice. The LSB acknowledges that not every decline will be on the basis of a lack of affordability but where the information available to a firm suggests that the customer may be showing financial stress, a referral should be considered.

Credit card limit increases

Before setting a customer's credit limit, or increasing an existing limit, firms should follow [Industry Best Practice Guidelines](#) for credit card limit increases.

Overdraft limits

If a customer applies for an increase in their overdraft limit, they should not be provided with more than they have requested. Further requirements relating to overdraft pricing, monitoring and how to support 'repeat use' customers are set out in CONC 5D.

PS7. Firms' application processes should ensure that a customer is not at a disadvantage because they are serving/have recently served in the British Armed Forces

Members of the Armed Forces who are based overseas or in a UK barracks can find it difficult to build a credit history and therefore may experience difficulties in demonstrating creditworthiness. This could be because their address is outside of the UK; they move regularly or have a British Forces Postcode. The LSB would expect that firms' systems and process should be able to take account of the different types of information service personnel may provide, such as a British Forces Postcode, so that applications can be processed in line with standard processes and procedures. When considering an application for credit from a member of the Armed Forces, firms should take account of the key principles contained within the [Ministry of Defence's Guidance](#).

PS8. When providing a credit card product, firms should present information about the main features of a credit card in a summary box, as set out in Industry Best Practice Guidelines

Information provided to customers should be clear, fair and not misleading. Firms should present information about the main features of a credit card in a summary box, as set out in Industry [Best Practice Guidelines](#).

This should be provided to the customer prior to their acceptance of the agreement. For online applications, a click-through to a page containing the summary box should be available. For telephone-based applications, firms should consider how this information can be conveyed in a way which enables the customer to follow and understand the information provided.

All integral features of the product, such as introductory rates, should be included in the summary box. Information on free-standing or optional product features, if offered, protection insurances, credit card cheques or other free-standing product features should not be shown in the summary box. Information on such free-standing features should be provided separately and should comply with any relevant best practice guidelines.

Pre-contract, the summary box should appear prominently on, or within, any application form/pack, acting as a final reminder for the consumer. The information in the summary box should be displayed in a manner that is appropriate for the channel the customer is accessing it on.

Before a customer enters into the contract for a credit card (and when they accept the product for the first time) they should be given information relating to the following:

- an explanation of how interest is calculated and charged; for example, whether it is charged on the full statement balance or only on any balance remaining after the customer has made the monthly payment;
- the Payment Services Regulations (PSRs) require that the customer should be provided, where relevant, with details of the interest and exchange rates to be applied or, if reference interest and exchange rates are to be used, the method for calculating the

actual interest and the relevant date and index or base for determining such reference interest or exchange rates;

- this information should be provided either in good time before the customer is bound by the contract, or where the contract is concluded at the payment service user's request, using a means of distance communication, immediately after the conclusion of the contract;
- details of how monthly payments are applied to any outstanding balance across transaction types including promotional offers;
- an explanation of recurring transactions;
- details of charges for the day-to-day running of the account, including any annual fee, dormancy fee, charge for exceeding credit limit, charge for delayed monthly payment, charges for overseas transactions, cash withdrawal fees for card usage at an ATM or over the counter, fees for any cash equivalent transactions, balance transfer fees, returned payment fees due to insufficient funds, and any other applicable fees;
- the distinction between being the principal cardholder and an additional cardholder should be explained i.e., that the principal cardholder is responsible for all spending, including that by additional cardholders, and is responsible for repayments on the credit card;
- the interest rates applicable to different types of transactions (e.g., purchases, balance transfers, credit card cheque transactions and cash transactions) and the ways in which customers will be told about changes in interest rates; and,
- sufficient details to enable customers to pay on time, including via automated payments. Firms should also ensure that, where customers are offered the facility to pay by cheque by post, sufficient time is given to allow payments to be made in time, taking account of the postal delivery system and the length of the clearing cycle.

The LSB's Information for Practitioners

The Standards of Lending Practice for
personal customers

Account maintenance and servicing

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 account maintenance and servicing.

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 where the LSB identifies further examples of the work which is being undertaken by the industry in this area. Account maintenance and servicing is covered in some detail within CONC, the language used within this document, for example, 'should', 'could', 'may' and so on, reflects the fact that firms are required to undertake specific activities to ensure compliance with CONC.

Customer outcome: customer requests will be dealt with in a timely, secure and accurate manner. Information provided to customers will be clear in terms of presentation and in clarifying any action that the customer needs to take.

Firms will achieve this: with systems, processes and controls that aim to provide an accurate view of the customer's relationship with the firm and the relevant lending products they hold. Information held about, and sent to, the customer is up to date and that this is underpinned by appropriately skilled and knowledgeable staff.

AM1. Firms should provide customers, at an appropriate frequency, with statements which include sufficient information to allow the customer to manage their account

Firms should ensure that, in line with the relevant requirements, customers are provided with statements which contain sufficient information to allow customers to be able to manage their account. This should include information on how to contact the firm if the customer has any questions, or for example requires support to manage their account. Customers should be provided with their monthly, for credit cards and personal overdrafts, or annual, for personal loan, statements in either paper form or electronic form and should be able to access or request access to their statements and the position of their account at any time.

Credit card customers, as required by the Consumer Credit Act, should be provided with a monthly statement for their account unless it has a zero balance and has not been used within the statement period. This process is embedded within firms and those who offer a credit card product will follow the Industry [Best Practice Guidelines](#) (BPG) for the Cardholder Statement Summary box. Under the BPG, the table of information is required to appear prominently either on the front or reverse of the cardholders' monthly statement. It provides cardholders' with details of the key features of their credit card to allow them to compare their current card with others should they wish to review whether their existing product continues to best suit their needs.

There are a number of specific pieces of information which are required to be included on every credit card statement (and where appropriate on a link from an online statement):

- sufficient details to enable customers to pay on time, including via automated payments for any amount between the minimum payment and full payment
- the current interest rate should be printed on each statement. Also, if more than one interest rate applies to an outstanding balance (for example, where one rate applies to a transferred balance and different rates to new borrowing and cash transactions) this should be made clear
- a clear statement that if the account is not fully cleared, interest will be charged on the total value of the statement, and not just on the outstanding balance
- a clear statement that interest will be charged on a daily basis and that interest payments therefore increase the longer payment is delayed (even before the monthly payment date)
- a brief summary on the allocation of monthly payments on the front or back of the statement (or a link from an online statement)

- the front of each credit card statement should show a cash figure indicative of the amount of interest which would be payable by the customer if they paid the minimum amount and it reached the firm on the last day for payment; and
- a warning about the risk of only making minimum payments which should include the wording: 'If you make only the minimum payment each month, it will take you longer and cost you more to clear your balance.'

Firms will have processes in place to address missed payments; any notification sent to a customer should remind the customer that they have the option to set up an automated payment to avoid missing future payments.

Allocation of payments

As required under CONC, firms should apply a customer's repayments to the most expensive parts of the credit card balance first. This means that repayments will be applied to the various elements within the balance ranked by order of their annual interest rate (not APR) on a pure high to low basis. In allocating customer repayments, firms will apply them to, at least, stated transactions.

Payment holidays

If a firm offers payment holidays, the terms associated with the use of this facility should be clearly explained to the customer who should be told that they can reject the holiday by continuing to make repayments. Where a payment holiday is provided, the minimum repayment afterwards should be sufficient to avoid negative amortisation over a period of 12 months from the start of the holiday.

Credit Card Cheques

While the LSB recognises that many firms no longer issue credit card cheques, if a firm does, the customer should be provided with clear information regarding the use of this product. Firms should take account of the UK Cards Association [Best Practice Guidelines](#) for credit card cheques. The information provided to a customer regarding this product should be contained within summary box form.

Firms should not send out unsolicited credit card cheques with a pre-completed amount. In addition to the summary box, firms should clearly and transparently highlight, in the main body of any communication sent to the customer accompanying the provision of credit card cheques, the following (where applicable):

- that credit card cheques do not provide the same level of consumer protection as a normal credit card purchase;
- the transaction fee per cheque;
- whether there is an interest free period; and
- an alert to the summary box (e.g. 'see important information overleaf').

AM2. Firms should ensure that where customers have access to an overdraft, they are supported to limit their use of the product, for instance, by allowing customers to reduce their limits and by having in place timely customer alerts

CONC 5D sets out requirements for monitoring and supporting customers who show a pattern of overdraft repeat use.

In addition to the requirements in CONC, firms should consider steps to help all customers to limit their use of credit where, from the information available to the firm, that it would be appropriate for them. Customers may, for instance, wish to opt out of or place limits on their overdrafts as a way of seeking to exert further control over their financial situation.

Firms should ensure that customers who do this are made aware of the potential implications of doing so for their account. For instance, where they exceed any overdraft limit or have insufficient funds to cover a transaction that this may result in the payment being declined. This could then have a negative impact on their credit file. The information may be provided electronically, by letter or by a leaflet, according to the normal channel of communication with the customer.

Where customers do want to opt out of or limit overdraft spending, firms should not, in response, offer the customer a Basic Bank Account unless the limited functionality of this product is appropriate for the customer's circumstances.

Customers also may not be aware of the implications that opting out of access to an overdraft will have on their account. For example, a firm's policy may require their particular account to be closed and another re-opened. If this is the case, the customer should be provided with a clear explanation of what this entails, and any change over should be as smooth as possible.

Although a customer's decision to make changes to their overdrafts is capable of being revoked by the customer, a firm may place restrictions on the number and frequency of permitted changes that a customer may make in respect to their overdrafts.

Should a firm adopt an approach that requires customers to opt-in to overdrafts, it should ensure that this is underpinned by a clear communication strategy for reminding customers that this is the approach which has been taken and, by having opted-in that they have the right to change their mind. This reminder should also include clear information on what this means in practice for them and their account and if they wish to do so, how they can go about changing their preference.

AM3. Firms should provide credit card customers with written notice of any interest rate increase, unless this relates to a base rate tracker product, and how they can reject this if they wish to do so. The customer should be advised what happens to the account if they choose to reject the increase [CONC 6]

The provision of information to customers regarding a change in the interest rate applicable to their credit card will help to support customers to manage their account more effectively. Written notice should be provided at least 30 days before the interest rate increase takes effect and should explain

in clear language how the rate is changing, what it will cost, the options available to the customer and the following information:

- current interest rate;
- the new increased interest rate;
- an indicative cost impact of the increase (by either a generic or personalised example);
- notification of the customer's ability to reject the increase during the period of 60 days specified in the notice and pay the outstanding balance in full at the current rate.

The requirement to notify the customer does not apply if:

- The change is to an interest rate which is set to track the movement in an external index, such a base rate, which has been clearly stated in the terms and conditions associated with the product.
- A promotional rate has come to the end of its term or has been revoked early because, for example, a payment has been missed.
- There is an interest rate decrease.

If the firm offers alternative lending products, it may also provide the customer with the option to transfer the balance to such a product at the existing (or lower) rate of interest.

For a risk-based rate increase, the notice of interest rate increase should be sent separately from any account statement. For a general interest rate increase, the notice may be sent with the customer's statement, via a separate communication or online message.

The 60 day rejection period may run concurrently with the 30 day notice period and if this is the case, the written notice will make this clear to the customer. During the 60 day rejection period, the firm should remind the customer of their right to reject the interest rate increase and what this means in terms of their account - that this will require the firm to close the account and the customer will be required to repay the outstanding balance. This reminder may be included on or with the customer's account statement and does not need to repeat the detail included in the original notification.

The customer may tell the firm, at any time during the 60 day rejection period specified in the notice of increase that they wish to reject the interest rate increase. Where the customer rejects the rate increase, this means that:

- the customer's credit card account will be closed; and
- the customer will be permitted to pay their outstanding credit card balance at their pre-notification interest rate within a reasonable period. This will take into account the level of minimum payments and the customer's financial situation.

A firm should not increase a customer's interest rate where it is aware that:

- the customer is currently two or more payments in arrears;
- an agreed repayment plan is in place in respect of the customer's account; or
- the customer has engaged a debt management firm to act on their behalf, and the firm has been notified of this.

Firms are encouraged to periodically review customers' credit card limits to ensure that they remain suitable for the customer's situation and that they are not showing signs of financial distress.

If asked by the customer, firms should explain why the interest rate is being increased and make available an industry standard explanation of how credit card re-pricing works.

Selection of accounts for re-pricing

Where a customer manages their account within the firm's terms and conditions, the firm will not increase interest rates:

- for risk-based re-pricing – within the first 12 months of a customer having the credit card; or
- for risk-based re-pricing and general re-pricing – more often than 6 monthly, other than in exceptional circumstances. The exception applies to general re-pricing only and, for example, may be due to rapid escalation in underlying interest rates, or a change to legislation/regulation, that significantly increases costs, or decreases income.

AM4. Firms should proactively work to combat fraud and scams and have processes in place to deal with unauthorised or fraudulent transactions and payments. If customer fraud is suspected, the burden of proof is on the firm to prove this is the case

Firms will have policies and processes in place regarding **unauthorised credit card transactions**. The Payment Service Regulations (PSRs) contains a carve out for unauthorised credit card transactions as these are regulated by the Consumer Credit Act (CCA). Under the CCA, a customer's liability for any transactions made by someone who has used their card without their consent is limited to £50. When considering a customer's claim that they have not authorised a transaction on their account, the burden of proof lies with the firm and not with the customer. The LSB would expect the firm to provide proof that it has reason to believe that the customer has provided authorisation for any relevant transactions.

Firms should consider a customer's claim on the basis of the individual circumstances. The LSB would expect that unless the firm can show that the customer has acted fraudulently, the customer's liability for their credit card being misused should be limited as follows:

- If someone else uses the card before the customer informs the firm that it has been lost or stolen or that someone else knows the PIN, the most the customer will have to pay is £50.
- If someone else uses the card details without the customer's permission, and the card has not been lost or stolen, the customer will not have to pay anything; this would include where a customer's card has been cloned.
- If the card is used before the customer has received it, the customer will not have to pay anything, unless the firm can show that the customer acted fraudulently.

- In the event that card details are used by someone else without the customer's permission, for a transaction where the cardholder does not need to be present (including contactless payments), the customer will not have to pay anything.
- Where a credit card transaction has not been authorised by the customer, any interest or other charges that may have been applied as a result of the transaction will be refunded, unless the firm can show that the customer acted fraudulently.

What might good practice look like? The use of targeted 'pop-up' or 'just in time' warnings to protect customers from the possibility of being scammed while making payments or authorising transactions from their account. These warnings are triggered where transactions are most at risk of being a result of fraudulent activity, prompting the customer to consider and/or confirm whether they wish to proceed with the transaction.

Where firms provide current accounts, the LSB would expect firms to be taking steps to prevent authorised push payment scams, in line with the requirements of the Contingent Reimbursement Model Code for Authorised Push Payment Scams (the CRM Code) and to have a policy in place so customers who are victims of such scams know how they can protect themselves, including whether they may be able to seek reimbursement. The LSB would particularly encourage relevant registered firms to become signatories to the CRM Code.

AM5. Firms should inform customers of any changes to the interest rates and fees on their overdraft. To help the customer to compare costs, the old interest rates and fees should be included within the information provided

If an overdraft facility is offered, firms should provide customers with information on the interest rates which apply and when this will be collected. If a customer asks, the firm should also provide the customer with a full explanation of how interest is worked out.

Before taking any interest and overdraft charges incurred by the customer, firms should provide a minimum of 14 days' notice to the customer of how much will be taken. Firms should also consider including a specific date on which this charge will be applied to support customers in the management of their account. Firms should inform customers about changes to the interest rates on their overdraft as required under the CCA/CONC.

Firms should make available to customers information about any charges for overdrafts through all the channels they offer. Customers should be personally notified at least 30 days before any increase in an overdraft charge or the introduction of a new overdraft charge.

AM6. Firms will maintain the security of customers' data and may share information about the day-to-day running of a customer's account(s), including positive data, with credit reference agencies where the firm has agreed to follow the principles of reciprocity [CONC 5]

Firms can provide Credit Reference Agencies (CRAs) with default information about a customer's debts if:

- the customer has fallen behind with their payments;
- the amount owed is not being disputed by the customer (a customer dispute is relevant if it refers to the amount of money owed by the customer and is genuine, reasonable and unresolved); and
- the customer has not made a proposal that satisfies the firm for repaying the debt following the firm's formal demand.

The customer should be given further notice of the intention to disclose the information at least 28 days before the disclosure is made, for example, when a default notice or formal demand is given. At the same time, customers should be provided with an explanation about how default information registered against them may affect their ability to obtain credit in the future. This notice means that customers have 28 days to try to repay or come to some arrangement with the firm before default information is passed to the CRA. The requirement to share data does not apply in specialist customer segments such as private banking where sharing CRA data is not always appropriate.

Firms should ensure that data is up-to-date, accurate and complete before it is passed to credit reference agencies and any errors are addressed and corrected efficiently once discovered.

AM7. Firms should ensure that where an individual provides a guarantee/indemnity or other security, they have access to regular financial information on their current level of liability

This standard applies to individuals who offer personal guarantees or indemnities.¹ Firms should also refer to CONC which provides further requirements in relation to the guarantor lending.

Firms should ensure that regular financial information about the individual on whose behalf a guarantee/indemnity or other security is being given, is always made available to the guarantor or granters of third-party security, so that they can assess the likelihood of being called upon to pay. If the guarantor or granter requests confidential financial information (with the exception of the current level of liability), such as details of balances, copy statements, etc, the customer's consent should first be obtained.

¹ A guarantee is different from an indemnity which is also a promise to be responsible for another's loss. However, an indemnity is a primary obligation which is not contingent on the obligations of the borrower.

Independent legal advice

Prior to entering into an agreement, guarantors or granters should be told that by giving the guarantee or other security they may become liable instead of, or as well as, the individual; and what the extent of their liability will be. Depending on the nature of the guarantee, some guarantors or granters may wish to seek independent legal advice before signing an agreement and should be provided with the opportunity to do so. Whilst acknowledging that not all customers will require it, firms should encourage potential guarantors or granters to take independent advice. The recommendation to take independent legal advice, and the potential consequences of their decision, could be stated on appropriate documents that the guarantor or granter is asked to sign.

Area for consideration: Depending upon the circumstances, firms may wish to go further than what is covered in this section and require a potential guarantor or granter who refuses to take legal advice to sign a declaration to that effect.

Firms must also tell the guarantor the extent of their liability, including the addition of interest and charges after demand has been made. Where independent legal advice has been given, it may be assumed that the solicitor will have explained the nature of all monies and continuing security, if appropriate. Depending on the nature and structure of facilities, firms may choose to explain these features to those customers who have declined independent legal advice (and should always do so when requested by any guarantor).

The LSB would not expect a firm to take an unlimited guarantee from an individual. However, other forms of unlimited third-party security may be taken from an individual, provided that the limit of the granter's liability is explained in a side letter. This is to avoid the need to take fresh security, with the associated expense and inconvenience to customers, each time a facility changes. 'Unlimited' applies to the capital amount of the loan and excludes interest, charges and arrears etc. An explanation of this should be covered in the guarantee/indemnity or other security documents that the guarantor is asked to sign.

The LSB's Information for Practitioners

The Standards of Lending Practice for
personal customers

Money management

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 money management.

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 registered 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 updated on an ongoing basis as the LSB gathers further examples of the work which is being undertaken by the industry in this area.

Customer outcome: customers will be helped with managing their finances through pro-active and reactive measures. This will include those designed to identify signs of financial stress and to help them avoid falling into financial difficulty.

Firms will achieve this: with systems and controls that are capable of identifying, across the relevant products held, where customers may be showing signs of financial stress at any point in the customer life-cycle, and pro-actively engaging with the customer to provide support and, where necessary, an appropriate solution.

MM1. Firms should pro-actively encourage customers to get in contact if there has been a change in their circumstances which may impact on their ability to repay their borrowing

Firm should use a range of appropriate contact points, throughout the product lifecycle, to encourage customers to contact and inform the firm if there has been a change in circumstances that may mean they are no longer going to be able to repay their borrowing as planned, or where they may have to pay more in fees and interest as a result of reduced or missed payments.

This may for instance include:

- Change in financial circumstances;
- Loss or change in employment;
- Any physical or mental health concerns;
- Bereavement or family loss.

Firms may, for instance, want to include reminders for customers to get in contact on any relevant help sections of their website or apps. Firms could also consider more targeted measures, such as check-ins and proactive interaction to engage those identified as being at risk (See MM2).

Area for consideration: Firms may wish to consider how to allow for customers to disclose sensitive information through a variety of channels. While some customers may prefer to talk to a member of staff directly about the challenges they are facing, some may find it easier to initially share details about such challenges via digital communication or reporting tools. Any recording of information should be consented to in line with GDPR requirements.

MM2. Firms should use information held about customers to identify those who are exhibiting signs of financial stress

As firms already undertake periodical reviews of **credit card** and **overdraft** limits with a view to reducing them where appropriate, monitoring of customer's limits could also allow for the early identification of customers who may be showing signs of actual or potential financial stress. The results of this may suggest that the customer would benefit from some form of contact from the firm and appropriate action taken.

Where the decision is taken to reduce a customer's limit, firms should give consideration to the impact that any reduction will have on their overall ability to manage their finances. Where the decision is made to reduce the limit, the LSB would suggest that the customer is encouraged to contact the firm if this reduction is going to cause them immediate or future difficulties. Where appropriate, these customers may also benefit from signposting to sources of free, impartial debt advice.

Where a customer has a **personal loan** and the firm provides the customer with other products, such as a current account, firms should look to monitor the customer's activity across the relevant products and consider whether they are exhibiting signs of financial stress and would therefore benefit contact from the firm.

When engaging with a customer, examples of behaviours which may warrant further exploration of the customer's circumstances as they may be indicative of financial stress include:

- Comprehension difficulties
- Information processing issues
- Difficulty concentrating and lack of attention to detail
- Memory issues
- Highly-charged emotional responses
- Self-deception
- Low confidence
- Low levels of trust.

Limit increases

Firms should ensure that credit limit increases are only undertaken once they are satisfied that the customer is able to afford the repayments. Firms should not offer a customer, who is already in arrears, an increase in their credit card or overdraft limit, unless this is part of the agreed repayment plan. Where a customer requests an increase, they should not be offered more than they have requested. If a customer is offered an arranged overdraft, or an increase in their existing arranged overdraft limit, firms should tell the customer if the overdraft is repayable on demand. This means that the firm is able to request repayment of all or any part of the facility in question at any time during the life of the agreement, without having to point to any particular default on the part of the customer.

MM3. Firms should ensure that customers exhibiting signs of financial stress are offered appropriate information and support

Where a customer is identified as exhibiting signs of financial stress, or informs the firm they may be in financial stress, firms should ensure customers are offered appropriate information and support. When deciding what information and support is appropriate firms may want to consider:

- The potential scale of financial stress and whether the customer will likely fall into arrears without support;
- Whether signposting to financial management tools and information would be helpful or sufficient;

- Whether signposting to one or more third party charities would be appropriate; and
- Whether the customer may benefit from a conversation with an appropriately trained member of staff to help them further understand the support available to them

If a firm has been made aware of a specific issue that may have made a customer vulnerable or contributed to the customer's financial distress, for example the customer has disclosed they have a gambling addiction, the support or information provided to a customer should reflect that disclosure.

Area for consideration: Firms should consider whether customers experiencing financial stress could, if appropriate, be referred to free debt services, rather than signposted, including through warm transfers.

Area for consideration: Support available to customers varies across the UK. Firms may wish to consider how they might reflect the regional differences in the services available, for example referring customers to the appropriate organisations/sources of support for the nation they live in.

MM4. Firms offering a credit card product should, in line with industry best practice, help customers making regular minimum or low value payments to manage their finances through targeted interventions to inform customers of the implications of such repayment choices and provide access to support

Firms should apply the 'Best practice guidance: Engaging with customers making minimum or low value credit or store card repayments' available [here](#).

The LSB, with the support of firms, UK Finance, and the Finance and Leasing Association (FLA), developed an updated approach to the 2010 industry agreement relating to credit and store card minimum payments. The 2010 agreement was developed by the UK Cards Association and FLA members, debt advice agencies, and the LSB as part of a package of commitments agreed with the then Department for Business, Innovation & Skills. Through this agreement, firms committed to writing to customers who have made six consecutive minimum payments in order to inform them that this is the most expensive way of paying for their borrowing.

The new guidance, which supersedes the 2010 agreement, retains the core focus that the engagement will help inform customers of steps they can take to reduce the long term cost of borrowing. It allows firms to move away from the more rigid six-month structure set out under the 2010 agreement and acknowledges that this engagement should be for customers who have not yet been categorised as being in persistent debt, i.e. at the 'PD18' stage or further.

Area for consideration: Firms should consider monitoring the number of customers in persistent debt and how customers respond to and engage with communications from firms on credit card repayments, to identify whether measures designed to reduce the number of customers in persistent debt are working effectively.

MM5. Firms offering credit card products should, in line with industry Credit Card Market Study information remedies, have in place processes to ensure:

- a. Customers are prepared to make timely and informed decisions about the options open to them when a promotional rate comes to an end**
 - b. Borrowing prompts help customers to take account of their spending and make informed decisions about how they use their credit card and avoid incurring over limit charges**
 - c. Customers can set a more convenient payment date for future statements to enable them to exercise greater control over their credit card account**
 - d. Customers are able to exercise greater control over how their credit limit is managed through the provision of clear information and easy ways to express their preferences regarding unsolicited increases in their limit**
-

Firms can find the full detail of the Credit Card Market Study (CCMS) remedies [here](#).

For all of these remedies, firms should understand what good customer outcomes should look like and take steps to monitor and ensure the effectiveness of these remedies in improving customer outcomes. This should include reviewing communications and language used to help ensure that when customers receive communications, or engage with firms, they are can clearly understand the consequences of the decisions they are making.

MM6. Firms should ensure that customer facing employees and third parties are sufficiently trained and skilled to help them to identify and deal with those customers who may be showing signs of financial stress

Firms will have a number of different techniques in place to ensure that staff have the appropriate skills and knowledge for their role. This includes the soft skills required to probe for further information in a positive and sensitive manner if there are indications that the customer may benefit from additional support in managing their finances.

Firms should look to ensure customer facing staff are trained with the soft skills needed to support customers in making disclosures, particularly where such disclosures may trigger the firms to offer further support for the customer. Some customers may display varying degrees of cooperation when discussing their financial circumstances.

While some will be unwilling to engage in discussion, others may be more forthcoming with information but may, for example, be wary of disclosing the full extent of their situation as they lack an understanding of how the content of the conversation will be used by the firm. Therefore, the member of staff's ability to empathise and explore the customer's concerns about disclosing information is an important part of the process.

What might good practice look like? Staff training seeks to examine differences in customer behaviour, for example, from those who want to quickly and efficiently access information to the more relaxed and chatty approach. This could then be used to develop approaches for different customer styles, covering how the customer might feel and react in a situation of stress so that staff can engage effectively to ensure the customer's anxieties are addressed and their needs met.

Case reviews involving reviewing recorded calls can provide an opportunity for teams to assess how well they are doing. By listening to randomly selected calls and discussing how the call was handled, firms can determine if there is anything that could have been done differently and whether the right customer outcome was achieved. Additional training and support could be provided to address any specific needs on an individual basis, or more widely, in relation to process improvements.

What might poor practice look like? The review process takes account of any improvements which could be made to call handling processes but omits to consider whether the customer is provided with the right support and whether the customer could have achieved a better outcome given their situation.

A blended learning technique can help to ensure that staff have the opportunity to put their new skills into practice and can demonstrate their competence through various exercises and knowledge checks. Shadowing related internal departments to see first-hand how those areas support customers can further embed understanding of pre-arrears and provide a valuable wider perspective.

What might good practice look like? Developing various aids and techniques for ensuring the knowledge gained is retained once training is complete. This could include using the intranet, short online refresher courses or posters acting as a reminder to staff of the different customer types and related techniques, desk aids, interactive colleague learning platforms or using the intranet to assist in identifying appropriate actions.

MM7. Where relevant, firms should signpost customers to available tools, whether provided by the firm or third parties, to assist with money management skills where they feel this would benefit the customer

The Standards on money management are focused on helping customers to manage their money and to help, where possible, avoid financial difficulty. As such, it may be appropriate and relevant to offer or to signpost customers to tools and support, including that provided by third parties, which may help them manage their money throughout the customer journey.

Offering tools to customers to help them manage their finances is a good way in which firms can demonstrate they are pro-actively managing their finances and can be a means of offering support to customers throughout the product lifecycle, not just once they are experiencing financial stress or in financial difficulty.

Example of tools that may be helpful include:

- Budgeting tools
- Repayment calculators
- Optional blocks or limits on spending (for example gambling blocks)
- Money coaching services

Firms may also want to consider how tools can be used encourage customers to get in touch with the firm where they may need support if they are vulnerable, at risk of experiencing or are in financial difficulty.

Area for consideration: Firms use customer data, including that available through Open Banking, to provide extra tools as part of a customer's account which enable them to more effectively monitor their use of the product.

What might good practice look like? Firms give consumers access to controls which enable them to better manage their spending, whether or not they are vulnerable. For instance, allowing customers to block payments to gambling sites and introducing friction where customers want to turn such a block off.

MM8. Firms should undertake monitoring and assurance work to ensure that their policies and processes are designed, and are operating effectively, in identifying and supporting customers who may require help to manage their finances, especially those customers who are showing signs of financial stress

Firms' compliance oversight and internal audit functions (whether internal or outsourced) could benefit from considering the risks to customer outcomes associated with the prevention of customers falling into financial difficulty across the product lifecycle and customer journey.

While firms may have strategies designed to prevent customers falling into financial difficulties, they will benefit from having monitoring in place in respect of staff competence, which will trigger additional training as needed. At a policy level, local and cross operational initiatives could test the effectiveness of policies and provide an opportunity for improvements where needed.

Management information (MI) is routinely used to identify trends and measure performance through a quantitative review of key indicators. In the case of pre-arrears activity, MI can be used to track the level of contact, use of different channels and even response rates to particular activities which can then lead to refinements in the approach to improve the level of response. This quantitative approach does not readily lend itself to assessing whether positive customer outcomes have been achieved, particularly where the appropriate step might be to accelerate the move into collections, for instance if a customer lacked the level of affordability required to maintain payments to their account. In some instances a qualitative approach to monitoring the effectiveness of strategies and processes would provide a better understanding of performance in respect of customer outcomes and help to identify any areas that are not working so well.

What might good practice look like? Mapping the customer journey, using real examples, from the point that the account is first opened to when it enters collections, could provide a clearer view of the strengths of the processes in place and highlight any opportunities to make improvements. This approach could be used to focus in on a particular aspect of the journey and be scaled to ensure a sufficient number of cases are reviewed to form an opinion.

Area for consideration: Detailed case reviews can provide an in-depth understanding of the way in which an account has been handled. The topic could dictate the start and end point for the review, in terms of the actual activity or process to be scrutinised.

The LSB's Information for Practitioners

The Standards of Lending Practice for
personal customers

Financial difficulty

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 financial difficulty.

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.

Customer outcome: customers in financial difficulty, or in the early stages of the collections process, will receive appropriate support and fair treatment, across the different communication channels offered, in order to help them deal with their debts in the most suitable way.

Firms will achieve this: with systems and controls that are capable of identifying and subsequently, supporting customers in financial difficulty. Firms should be able to demonstrate that a sympathetic and positive approach has been applied when considering a customer's financial situation.

FD1. Firms should have triggers and processes in place to identify customers who may be in financial difficulty and should act promptly and efficiently to address the situation with the customer [CONC 7]

The LSB considers a customer to be in financial difficulty when their income is insufficient to cover reasonable living expenses and meet financial commitments as they become due. This may be as a result of a significant change in the customer's situation such as: loss of, or change in, employment; a decrease or fluctuation in income; breakdown of a relationship; bereavement; or a serious accident or illness which prevents them from working/affects their ability to work as much as they would like to. This list is not intended to be exhaustive but is intended to demonstrate that there are differing reasons as to why customers may find themselves in financial difficulty.

In addition to the indicators of financial difficulty provided in CONC, firms will have differing ranges of information available to them which can be used as a means of indicating that a customer may be experiencing financial difficulty. The customer may display a range of behaviours such as:

- items repeatedly being returned unpaid due to lack of available funds
- failing to meet loan repayments or other commitments on time
- discontinuation of regular credits
- regular requests for increased borrowing or repeated rescheduling of debts
- increases in interest bearing credit card balance(s)
- making frequent cash withdrawals on a credit card at a non-promotional rate of interest
- repeatedly exceeding a credit card or arranged overdraft limit without agreement
- frequent incurrence of overdraft fees, particularly where a customer has not arranged an overdraft
- frequent requests for refunds of fees and charges which have been applied in line with the terms and conditions
- long term minimum repayments on a credit card and at risk of entering 'persistent debt'
- the customer informing the firm that they are, or at risk of being, in financial difficulty.

Ideally, firms which offer multiple credit products should have a 'single view' of their customers, particularly those who are in arrears on more than one credit line with the firm.

Where firms do not offer multiple products, or where a firm's ability to understand a customer's wider financial situation is very limited, firms should consider how they could identify customers in financial difficulty. This may include ensuring customers are encouraged to get in touch when they are

experiencing financial difficulties, even if the issues in mainly in relation to products the customer holds with other firms.

Area for consideration: Where a firm does not have a single view across all customer products it is suggested that a process for communication of completed income and expenditure or agreed repayment plans is established internally. This could be undertaken with a view to the type of debt i.e. mortgage, followed by any business borrowing, and, ultimately, unsecured debts. This could provide a better customer outcome in that there is no repetition of process or additional calls made.

What might good practice look like? Regular training of agents, particularly in softer skills (questioning and active listening), coupled with a quality assurance programme that is aligned to the delivery of good customer outcomes can help to ensure that agents build their confidence in dealing with customers and ultimately achieve the right outcome for the customer.

What might good practice look like? An outcomes-based assurance model is in place for the purposes of call monitoring. A more customer-led and soft skills based calls, the metrics for a good or bad call can be based on whether the outcome was correct for the customer concerned.

What might good practice look like? Encouraging consumers to engage as soon as possible if they think or know that they are encountering financial difficulty and consider engaging in regular check-ins and proactive interaction to provide support to those at risk. This may enable customers to work with the firm to manage the situation without unnecessary additional costs relating to their borrowing.

FD2. Customers identified as being in financial difficulty should be provided with clear information setting out the support available to them and should not be subject to harassment or undue pressure when discussing their problems [CONC 7]

When a customer is identified as being in financial difficulty, the customer should be contacted with a view to understanding their situation through the use of appropriate questioning, the outcome of which can be used to determine how the customer's account should be handled. During the course of a conversation it may become evident to the agent that the customer lacks capacity to deal with their financial situation for one reason or another, this may mean that the call is passed to a dedicated team to progress the conversation with the customer.

The appropriate level of intervention/support required will be dependent upon the individual customer's position and the information obtained. This could take the form of one or more of the following:

- referring the customer to free, impartial debt advice;
- applying breathing space, statutory or otherwise, including freezing fees and charges and pausing enforcement action;

- undertaking an assessment of affordability with a view to setting up an affordable repayment plan;
- referring the customer to a dedicated team (where available) if, for example, they are vulnerable;
- returning the account to the original creditor, where this is an option;
- restructuring the debt to offer a repayment break or an extension in the term of, for example, a loan; or
- where the product is available, and the eligibility criteria met, offering a customer an opportunity to open a basic bank account which would provide them with a reasonable level of protection over their funds.

The LSB believes that there is a benefit for firms to seek to ensure that members of staff who deal with customers in financial difficulty are familiar with the range of insolvency products available to customers and that some are only applicable in certain jurisdictions, for example, the Debt Arrangement Scheme for customers based in Scotland. The expectation is not that staff have an in-depth knowledge of the products and how they work but that they have an awareness of them and are able to signpost customers where relevant.

Where a customer is experiencing financial difficulties they should be able to engage constructively with the firm in order to address the situation. The use of chargeable telephone numbers could potentially cause the customer further financial distress. Whilst the LSB recognises the rule contained in CONC² that *“a firm must not require a customer to make contact on a premium rate or other special rate telephone number the charge for which is higher than to a standard geographic telephone number”*, the LSB would encourage the provision of freephone telephone numbers, as well as providing the customer with information on how to contact the firm for free through other channels, when customers are contacting a firm in respect of any element of financial difficulty.

FD3. Firms should demonstrate an empathetic approach to the customer’s situation; listening to and acting upon information provided by the customer with a view to developing an affordable and appropriate solution

Affordability

Before agreeing a repayment plan with a customer, it is beneficial for firms to have sufficient information regarding the customer’s financial situation to enable them to assess whether any proposed repayment plan is affordable.

This can be achieved through appropriate questioning, as well as listening to and acting upon the information provided by the customer. Obtaining sufficiently detailed information regarding the customer’s income, expenditure, assets and liabilities, including any amounts owed to other priority

² See CONC 7.9.5R

and non-priority creditors will help the agent to do this. Other factors could also be taken into account, for example, whether the customer:

- is self-employed
- has an irregular income
- is likely to experience a change in income etc in the foreseeable future which will have an impact, either positively or negatively, upon their ability to manage their finances.

Area for consideration: Firms should be aware of the possibility of some customers having a strong emotional reaction and experiencing psychological distress as a result of being in financial difficulty and/or having to enter the collections process. Firms should be mindful of the impact of that financial difficulties can have on an individual's mental well-being and have appropriate training and processes in place to support customers who find dealing with financial difficulty particularly challenging.

Firms should take steps to set out the benefits of going through an affordability assessment and what this entails to the customer at the outset of the conversation. Doing so may help to further the customer's understanding of why they are being asked to provide such information and how it will be used. It may be that the customer does not have the necessary documents/information to hand at the point in time and it would, therefore, be helpful to both the firm and customer to defer the call to a mutually agreed time.

What might good practice look like? When obtaining information as part of the income and expenditure process, explaining key terms used such as what constitutes a priority bill can aid the customer's understanding of what information is required.

What might good practice look like? Incorporating dedicated training on developing effective listening skills into training modules helps to ensure that agents have the ability to actively listen, and the confidence to draw upon and probe further, where necessary, the information provided by the customer.

What might good practice look like? Agents building a good rapport with a customer which results in some information being imparted prior to an affordability assessment being completed.

However, this can lead to **poor practice** when the agent then starts to complete the assessment of affordability and their manner of questioning demonstrates that they have not listened to what the customer told them. This requires the customer to either repeat information they have already provided and, more often than not, extends the call unnecessarily.

The information provided by the customer should be assessed in light of what is known about their circumstances and whether it is consistent with these, so that when considered as a whole, the affordability assessment is realistic.

What might good practice look like? A 'past, present, future' approach could help agents to understand a customer's overall financial and personal situation much more quickly through tailored questioning on areas such as why the customer fell into arrears, what the present position is in terms of income, expenditure, employment, family, other creditors, and what might change in the near future, be that positive or negative.

What might poor practice look like? Failing to probe a history of missed repayments to fully understand the customer's underlying reason for arrears and whether this is indicative of longer term financial difficulty.

What might poor practice look like? Not taking into account information provided by the customer regarding changes in their overall household income which may impact upon their ability to meet their repayments. For example, their partner has been/is about to be made redundant, there has been a decrease in the overall household income or they/their partner are on, or are about to start, maternity leave.

Area for consideration: Rather than agents suggesting a figure(s) for expenditure where the customer is unsure, allow the customer time to collate the information and provide the correct figures, by arranging a call back.

What might poor practice look like? Failing to consider information obtained through previous calls, meetings, or written contact, either due to poor record keeping following earlier conversations or due to lack of experience or training in accessing file notes. This may result in customers having to go through details which they have already provided and can lead to disengagement if the customer feels that they are not being listened to.

Repayment plans

In some circumstances, rather than setting up a repayment plan, the customer's situation may benefit from placing the account on hold; for example, they may be starting a new job in the near future, are due to move house/flat, or experiencing a temporary physical or mental health issue; the account could be allowed to 'rest' until the customer is able to provide realistic details regarding their net income, commitments etc. Applying a period of breathing space in such situations could mean that the firms has more accurate figures to work with when it comes to developing the repayment plan.

Area for consideration: Where the customer is in arrears on their priority bills but with no arrangement in place, the customer could be referred to debt advice rather than having a repayment plan set.

What might poor practice look like? Repayment plans are set up without having obtained realistic/accurate information from the customer.

There will be customers who, for whatever reason, decline to go through an assessment of affordability but are willing to make a repayment or set up a repayment plan. While the firm may not be able to establish whether this is affordable for the customer, it may not always be in the best interests of the customer to refuse the offer of repayment. In this situation, the LSB's view is that such payments can be accepted or a repayment plan put in place; however for the benefit of the customer's understanding, the firm should reiterate what the process entails and the benefits of providing the information. The outcome of the conversation should be documented within system notes.

In this situation, in order to ensure that the customer is able to sustain the repayment plan, the customer's account should be subject to regular review. The customer should be advised that if the plan proves to be unsustainable, they will be contacted with a view to undertaking an affordability assessment. The outcome of this may mean that the customer pays more than they are paying under the existing plan because the assessment indicates that they can afford to do so, or it could demonstrate that the plan is unsustainable and therefore it will need to be revised.

Similarly, there may be customers whose assessment of affordability demonstrates that they have negative disposable income but the customer is insistent upon setting up a repayment plan. Subject to appropriate questioning about how they will be able to afford the repayment, a plan can be set. However, as set out above, the customer's account should be subject to regular reviews and they should be advised that if the plan proves to be unsustainable, they will be contacted with a view to understanding if anything has changed or to discuss any revisions to the repayment plan that may be required.

In the absence of the information required to undertake a full assessment of affordability, if the customer can provide some key information, a 'short form' affordability assessment could be undertaken as an interim measure. However, this may not be appropriate where the firm has reason to believe or to suspect that the customer is vulnerable. A firm should consider whether the plan is affordable for the customer at that point in time, taking into account key information regarding:

- employment status;
- level of income;
- status of priority debts;
- what, if any, non-priority debts they have and the status of these; and
- any other relevant information regarding the customer's financial situation.

The LSB would expect the firm to monitor the performance of this type of plan and continue to attempt to contact the customer to undertake a fuller affordability assessment. If the firm has made repeated attempts and the customer refuses to engage, then the plan can continue if it is performing. This type of plan should be subject to a regular review period until contact is made with the customer and affordability assessed, and system notes reflect the attempts made.

Once a repayment plan has been agreed, it would be useful for the customer to receive confirmation of this and a copy of their income and expenditure form for future use, for example when a repayment plan is due for review.

It is common practice for a firm taking on a debt, whether on a contingent or purchased basis, to request a new income and expenditure statement to understand the customer's most up-to-date position. However, if a statement has only recently been completed and provided to the third party or a repayment plan is being maintained and the review date has not yet been reached, consideration should be given as to whether an updated statement should be requested. The firm which outsources or sells the debt, should, however, provide details of any agreed repayment plans and income and expenditure statements to the third party.

When dealing with a customer who has other non-priority debts in addition to those owed to the firm, consideration could be given to accepting payments based on pro-rata basis. There will be circumstances where this may not always be appropriate for the customer's situation; for example, the customer may already have a repayment plan set up for another creditor or may choose to repay more to a higher debt or one which is continuing to attract interest. However, the option can be explored with the customer (subject to the customer having full details of all other creditors to hand to ensure that a fair amount is agreed).

If the customer does not co-operate with the firm, a plan cannot be developed and the firm may wish to proceed with normal debt recovery procedures. Lack of co-operation would include not responding to the firm's attempts at contact and unreasonable demands by the customer (for example, a request that the debt be written off or repaid over a very long period, even though the customer could afford to make reasonable repayments).

Token payments

A firm may wish to accept a token offer where the customer has demonstrated they have no surplus income available for their 'non-priority' creditors and where they have proactively made an offer of repayment. The customer would benefit from being made aware of whether or not a token offer will be regarded as an agreed repayment plan and whether it will therefore prevent the debt from being registered as in default with the Credit Reference Agencies (CRAs).

When taking into account the information provided by the customer, a firm may wish to consider whether it is in the best interests of the customer to accept an offer of a token payment. If their situation is such that they have no disposable income or they are seeking to make long term token payments, alternative options may be more appropriate. These should be explored with the customer and could include, for example, placing the account on hold to allow for an improvement in the customer's circumstances.

Partial settlements

Where a customer indicates that they are in a position to offer, and the firm is willing to accept, a partial settlement, the customer should be advised of the implications for their credit file and how the settlement will be recorded at CRAs.

FD4. If an offer of repayment is made via the standard financial statement, this should be used as the basis for pro-rata distribution amongst creditors covered by the plan [CONC 7]

Firms will have established policies and procedures for dealing with offers of repayments made via a debt management firm, whether 'free' or 'fee-charging'. However, for completeness the following paragraphs outlines the expectations for firms:

If a customer works with a third party to complete a Standard Financial Statement (SFS), the firm should accept this as the basis for pro-rata distribution amongst creditors covered by the plan. Repayment offers based upon expenditure falling within the trigger figures of the SFS can be challenged by the firm if there is reasonable cause to believe that the customer's income and expenditure figures may be incomplete or inaccurate.

The SFS Creditor Good Practice checklist promotes clear communications between creditors and customers. The following wording reflects that contained within the Debt Management Protocol:

- Firms should fully and constructively co-operate with debt management plan providers and should submit all relevant and reasonably requested material within 10 working days of the receipt of the request (where the customer has provided consent)
- Where a customer is repaying via a debt management plan, firms should provide account balance information to the provider within 10 working days of receiving the request.
- Firms should, where possible, provide customers with a phone number on all communications that will put the customer in contact with a named person or a team dedicated to dealing with cases of financial difficulty.

FD5. Firms should have appropriate policies and procedures in place to identify and support vulnerable customers where this impacts on their ability to pay [See also consumer vulnerability]

Being in financial difficulty can be a stressful situation for a customer who is not vulnerable, therefore when dealing with a customer who has 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.

Having the structures and processes which allow staff to investigate situations fully, and equipping them with the knowledge, confidence and skills to question and explore circumstances appropriately will enable them to identify the likely support needs of the customer.

The LSB would suggest that, wherever possible, firms seek to establish a single customer view. It is acknowledged that for some, the ability to implement this across the organisation may be hampered by legacy systems, or it is not possible to generate a single customer view for customers with multiple product holdings. Consideration could be given to manual workarounds to help firms to ensure that multiple accounts can be linked so that correspondence and account activity is coordinated. This will help to prevent customers from having to repeatedly provide the same information to the different areas of the business.

When developing a repayment plan for a customer who has been identified as vulnerable, but who is able to set-up or continue to maintain a plan, firms may wish to give consideration to the financial impact that the vulnerability may have. Taking account of the cost of travel to hospital, medication, and the impact of a reduced income as part of the income and expenditure statement will help to ensure a plan is reflective of the customer's current situation. Identifying this expenditure will also help the agent to assess whether the proposed repayment plan is affordable and sustainable. Where a vulnerable customer is unable to set up a plan, firms should consider placing the account on hold and agreeing regular reviews with the customer to check in on their situation.

The Debt and Mental Health Evidence [Form](#) (DMHEF) provides a standardised approach for third parties and creditors to share relevant information about the customer's mental health condition from health and social care professionals. In line with current industry practice, firms should consider the DMHEF if it is presented by the customer or, with the customer's consent, their adviser or medical practitioner.

If a customer informs a firm that they have a mental health problem or other vulnerability that is impacting on their ability to manage any financial difficulty, the firm should allow the customer a reasonable period of time to collect and submit relevant evidence to the firm. Medical evidence should only be requested where this is needed to develop a response and should not be used as a barrier to providing the customer with support.

What might good practice look like? People with mental health problems may face difficulties using the phone to carry out essential tasks, and the possibility of wait times associated with contacting call centres may be overwhelming for some customers. Firms should have in place, and make customers aware of, other contact channels available such as webchat facilities and offering call backs.

Use of flags

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 separating out customer accounts so that they do not fall into the general collections strategy. With a customer's explicit consent and in line with requirements of the DPA 2019 and GDPR, where it is possible and appropriate, firms can record relevant information about the customer on their system notes. The customer should then be informed as to how their information will be used and for what purposes. Many firms will have established specialist teams within collections to assist customers identified as vulnerable and in financial difficulty. Developing and maintaining relationships with free money advice agencies and charities can help to ensure that these teams are, and remain, effective.

The Money Advice Trust and Money Advice Liaison Group have published a comprehensive [guide](#) for creditors on vulnerability, GDPR and disclosure.

What might good practice look like? The control framework includes case reviews which consider 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 circumstances. The outputs are used to feed into broader process, policy and strategy reviews.

FD6. Firms should signpost customers who may be in financial difficulty to appropriate support and information which reflects their circumstances and, where appropriate, signpost customers to third parties offering free, impartial debt advice [CONC 7]

CONC 7 sets out that firms should, if a customer is in default or in arrears difficulties, inform customers that free and impartial debt advice is available and refer customers to a not-for-profit debt advice body.

Ensuring that members of staff have a good understanding of the types of support that the free, impartial advice sector can offer and being able to tailor this information to the customer's situation can help firms to ensure that appropriate referrals are made. The LSB's expectation is that the customer should be provided with a clear explanation of why the referral may be beneficial to their circumstances rather than just being told to contact a particular organisation. Customers may not always understand what support a debt advice agency can offer or may think that speaking to one will be viewed negatively or that they 'won't be able to help'. While the decision to seek advice is one for the customer to make, the provision of an explanation could also encourage the more reticent customer to explore the option.

Firms may also consider what information and support can be offered to customers to help them understand their circumstances. Where, in addition to requirements under CONC, firms offer information and support it should be relevant to the customer circumstances.

What might poor practice look like? Information and support provided to customers is unsupportive, or stigmatises the concept of debt or financial difficulty. Firms do not engage with debt charities when developing material or training, or do not treat customers with sufficient compassion and signpost them to sources of support.

Area for consideration: Customers who may be experiencing mental health difficulties as a result of being in financial difficulty should be treated with care and, where possible, signposted to external sources of help.

FD7. Firms should apply an appropriate level of forbearance where, after having made contact with the customer, it is clear that this would be appropriate for their situation [CONC 7]

When applying forbearance to a customer's account, the LSB considers it important that the customer understands what this means. Providing a clear explanation of what it entails, how this could be of benefit, and what it means in terms of the operation of their account will aid this understanding.

The explanation should, ideally, be more than simply informing the customer that it will be applied and should include the number of days it will be in place.

In some situations, firms will apply a minimum 30-day period in which interest, fees and charges are frozen and enforcement action is paused, but there may be situations where a firm decides that due to the customer's situation, a longer period of time may be more appropriate. This could include situations where the customer is experiencing a long-term illness, has had bereavement, or has been made unemployed.

Firms with customers in England and Wales will also be required to adhere to the Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020. The regulations give eligible customers in problem debt who receive professional debt advice access to a 60-day period in which interest, fees and charges are frozen and enforcement action is paused. This moratorium period is often referred to as 'Breathing Space'. For people receiving mental health crisis treatment, this instrument establishes an alternate route by which the protections of a moratorium may be accessed and ensures that the protections are in place for the duration of their crisis treatment.

A period of forbearance could be applied in circumstances other than when a customer has been referred to free, impartial debt advice. Following discussions with the customer, it may become apparent that setting a repayment plan would not be appropriate in the circumstances but there is expected to be an improvement in the customer's situation in the near future. This could be because:

- the customer is experiencing temporary unemployment but is due to start a new job soon.
- there will be an increase in their income in the near future, because, for example, they are returning to work following maternity/parental leave, selling their property with a view to downsizing, in the process of applying for housing allowances or are changing jobs.
- they may be experiencing a longer term illness, which they are expected to make a full recovery from or are currently recovering from an operation or injury.

The application of forbearance in such examples would allow the customer time to deal with their current situation; a date could be arranged for a follow up call with a view to reviewing the customer's circumstances at an agreed point in time.

FD8. Where a customer remains engaged with the firm and maintains their repayment plan, they will not be subject to unnecessary contact

This Standard does not preclude firms from undertaking regular reviews of any established repayment plans. Each firm will have a point at which a plan should be reviewed, typically this varies between six monthly and yearly but will also depend on the customer's personal circumstances.

The intended outcome is that customers are not contacted outside of the review period unless there is a good reason for doing so, for example, a payment has been missed or a firm is aware that a debt management company operating on the customer's behalf is not/no longer authorised by the FCA.

Firms will typically contact customers before the expiry of any present arrangement to obtain details of their financial position at that time; however customers should not be expected to increase repayments unless there has been an improvement in their circumstances and affordability can be established. Firms may choose to undertake internal reviews but the LSB would only expect customers to be contacted when a repayment plan is approaching the agreed review date, unless repayments have not been maintained.

Area for consideration: Where a repayment plan is in place but payments received are slightly less than the amount agreed, firms may wish to consider automatically re-setting the arrangement for the lower amount. This reduces the need to contact customers until the time of the next plan review.

At the review stage, if it becomes apparent from appropriate questioning that the customer's personal circumstances have not changed since the plan was established or last reviewed, the firm may wish to consider whether it is in the customer's interests to continue to undertake a further affordability assessment. i.e. is there any benefit for the customer or the firm in prolonging, for example, a telephone conversation or online process when the customer's situation, and all the information previously provided, remains the same. This should be subject to confirmation that the customer is up to date with their priority bills.

FD9. Firms should consider freezing or reducing interest and charges when a customer is in financial difficulty

Where a customer is in financial difficulty and is unable to meet payments as they fall due, the continued application of interest and charges may add to their overall level of indebtedness. The decision to reduce or freeze interest and charges should ideally be based upon an assessment of the customer's ability to make repayments sufficient to meet contractual terms. A firm's assessment should reflect the customer's lack of ability to pay rather than the stage an account has reached in the arrears cycle. Where the decision is made to decline a request to reduce or suspend interest and charges, the customer (or their authorised third party) should be advised of the reasons why.

The LSB's view is that interest and charges should not continue to be applied where this results in the repayment period becoming excessive for the customer. In forming a judgement on what might be excessive, a firm should take into account the type of product and the individual customer's circumstances. If a customer is only able to make payments (token or otherwise) their debt should not increase as a result of any interest and charges applied to their account.

Area for consideration: Repayment plans set up following receipt of offers from third parties are not subject to further interest or charges. The same approach could be adopted for customers using a self-help process.

Firms should ensure that a consistent policy is in place when it comes to the application of charges and interest concessions for customers who are in financial difficulty and who hold more than one product or account with the firm.

Where a customer is repaying via a Debt Management Plan (DMP), firms should advise the customer's DMP provider within 10 days of the repayment proposal being received, whether interests and charges will be frozen and, if this is not the case, the amount at which these will be applied going forward.

Concessions should not be arbitrarily withdrawn irrespective of a customer's ability to pay or without any evidence of a change in the customer's circumstances. Expiry of a repayment arrangement should not automatically lead to the withdrawal of concessions nor should an increase in repayments. The customer may be able to increase their repayments but this does not mean there has been a significant improvement in their circumstances; it would therefore be beneficial for a firm to understand the customer's situation before deciding to reinstate interest or charges. This does not prevent regular reviews from being undertaken and if a customer's position has sufficiently improved then interest and charges may be reintroduced provided affordability is confirmed.

A firm may wish to consider whether it amounts to a good customer outcome for interest and charges to be reapplied simply because a payment under an agreed repayment plan exceeds the contractual minimum for a product, particularly where the customer is not allowed any further borrowing. The customer's overall situation should be taken into account and consideration given to whether the reintroduction of interest and charges will significantly increase the life of the repayment plan and if so, the firm should consider freezing interest and charges.

FD10. All communication with the customer/their authorised third party will be undertaken in a clear and open manner, via the customer's/third party's preferred method of communication (where this is known, appropriate and available) [CONC 7]

Communications with a customer or their third party should acknowledge and reflect any previous contact made and any resulting discussions that may have taken place to date. Where a customer requests that the firm deals with them in writing or email rather than by telephone, this should be accommodated.

If a third party authority has been received, the firm should communicate through the authorised person or organisation. This does not preclude a firm from copying correspondence to a customer where it believes it is in the best interests of the customer to do so. If this is the case, the decision to do so should be documented within system notes.

On occasions a firm may need to contact the customer directly when an authority is in place. If a firm makes the decision to do so, and the firm is aware that the customer is vulnerable, firms may wish to consider whether this would be appropriate in the circumstances and document within system notes. Where a customer is contacted directly, the firm should explain the reasons for the contact and why it was not appropriate to speak to the customer's authorised third party.

Area for consideration: In certain circumstances it may be beneficial for discussions (either face-to-face, online or over the telephone) between the authorised third party and firm to take place with the customer present.

Where a customer has a debt adviser operating on their behalf, firms should accept the authorisation provided for the duration of any repayment plan. The LSB does not believe that it is necessary to request that the authority is renewed, for example, on an annual basis, unless advised by the customer that the debt management company is no longer acting on their behalf, or the firm is aware that the debt management company is no longer authorised by the FCA.

FD11. Firms should take into account the customer's circumstances and consider whether it would amount to a fair customer outcome to pursue, or to continue to pursue, the amount owed

Where a firm considers the customer's personal and financial circumstances to be exceptional and unlikely to improve, the firm could, amongst other options, consider writing off or not pursuing part or all of the customer's debt(s). The decision to do so is for each firm to make on the basis of the individual customer's situation. The factors which could be taken into consideration when reaching a decision could include:

- the customer's circumstances;
- the amount owed to the firm;
- the customer's age;
- repayment history;
- anticipated time to repay the debt;
- how long the account has been in arrears or, where relevant, with the debt purchaser;
- employment history;
- last known income;
- last known disposable income; and
- any arrangements with other creditors, if known.

Writing off the debt would mean that the balance is set to zero at the CRAs and that no further payments are due. If a debt is written off, the customer and relevant third parties including CRAs and, where applicable, the customer's adviser should be advised of the decision to do so.

However, if collection of the account is simply frozen or if any balance remains outstanding and collectable, this should be made clear to the customer and any adviser, and the customer should be told whom they should communicate with about the account. Where write-off is requested by a customer or adviser but is not considered appropriate by the firm, the LSB would encourage the firm to provide its reason(s) in writing, in addition to any direct conversations had with the customer or adviser. If the firm agrees to a write-off, then the debt may be registered as a default with the CRAs and the customer advised of the implications of this on their credit file.

Right of set-off

The process regarding the use of right of set-off is contained in BCOBs and BCOBs industry guidance. Here, the focus is on the use of right of set-off if a firm suspects, or is aware that the customer is in financial difficulty.

Before applying set-off a firm will want to take account of information available to it to identify whether the customer is in, or is at the risk of, financial difficulty. The LSB would not expect set-off should to be applied where the customer is co-operating with the firm and:

- the firm is aware of, or has reason to believe that the customer is in, or at risk of being in, financial difficulty;
- the firm is aware that the customer is seeking debt advice.

Set-off should normally only be used to make up the most recent missed payment. However if the firm has contacted the customer about missed payments, told the customer that set-off is an option, and used the information available which confirms that the customer is not at risk of, or in, financial difficulty, it may be used to make up earlier missed payments. A firm may also take more than one missed payment where the customer is not co-operating, for example, by not responding to repeated attempts to make contact.

What might good practice look like? At least on the first occasion after set-off has been used, a firm should contact the customer to advise them that set-off has been applied and the customer should be encouraged to take appropriate action in the future to avoid missed payments.

If it is evident from contact with the customer that they are now in financial difficulty either as a result of the use of set-off or otherwise, the LSB's expectation is that at least on the first occasion, any amounts debited via the right of set-off should be credited back to the customer.

In addition, appropriate action should be taken promptly to ensure that they are treated fairly, sympathetically and positively as required by the Standard of Lending Practice.

FD12. Firms should follow a robust due diligence process when selecting third parties for debt sale or debt collection activities to ensure that customers will continue to be treated fairly, in line with the requirements of the Standards of Lending Practice

The due diligence process for selecting third parties for debt collection should be sufficient to satisfy the firm that the third party can meet the requirements of the Standards of Lending Practice and the Consumer Credit Sourcebook (CONC). Any due diligence should also include third party compliance with consumer credit legislation, data protection legislation and the code of the Credit Services Association.

The LSB would expect firms to undertake sufficient call listening and a full assessment of the third party's quality assurance, internal monitoring, training and incentives schemes to assure themselves that the right standards are being met and the right behaviours are being promoted. In terms of what constitutes sufficient call listening, this will be judgmental based on the size of the firm but should be sufficient for the firm to be satisfied that standards are being consistently met, with calls, spread across different advisers, and the sample to include calls that have been internally quality assured. The firm should review what compliance monitoring activity and has been undertaken in the last 12 months to assess what work has been conducted, any issues raised and any action taken.

Where a firm agrees to a subsequent sale of the debt, they must satisfy themselves that appropriate arrangements are in place to ensure that following the sale of the debt, the subsequent debt purchaser will continue to deal with customers in a manner that is consistent with the requirements set out in the Standards of Lending Practice for the treatment of customers in financial difficulty.

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

Firms should seek to ensure that adequate system notes are maintained and updated following any discussion with a customer who is in financial difficulty regarding their account so that the approach taken can be evidenced. This also helps to ensure that a customer does not have to repeat information already provided and allows any agent of the firm to be brought up to date with details of the customer's situation before the call is made.

FD13. Where third parties are used to undertake debt collection activities, firms should adhere to the governance and oversight requirements on outsourcing during the credit process/life cycle [See GO7]

The LSB would expect that adherence to the Standards of Lending Practice forms part of all third party contracts and firms should ensure that the outcomes for handling financial difficulty cases are applied by such agents, through due diligence and periodic audit and review.

Firms should familiarise themselves with the Information for Registered Firms on Governance and Oversight for guidance on how to meet the requirements of FD13 and GO7.

FD14. Firms should ensure that, when a customer's debt is sold, monitoring is undertaken at least annually where a firm continues to sell debt to a purchaser, and for a further two years after a firm has stopped selling debt to that purchaser

Firms should undertake appropriate monitoring in order to satisfy themselves that debt purchasers to whom they have sold customers' debts continue to deal with such customers in a manner that is consistent with the relevant requirements of the Standards of Lending Practice and the contractual terms. Such monitoring should be conducted at least annually where firms continue to sell debt to a purchaser, and for a further two years after they have stopped selling debt to that purchaser.

The results of the monitoring referred to above should be used to satisfy the firm and the LSB that all of the relevant requirements of the Standards of Lending Practice in respect of the debts sold are being adhered to. Where instances of non-compliance are identified through monitoring, firms must be able to evidence to the LSB that appropriate action has been taken to remedy any breakdown of control or customer detriment.

FD15. Where a firm is aware that a customer has an ongoing mental health or critical illness that affects the customer's ability to repay their debt(s) or that a customer is terminally ill, the debt(s) should not be sold

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. In general, where vulnerability is identified by the creditor, which impacts upon the customer's ability to repay their debt, these accounts should be ring-fenced and not sold. Where a firm identifies a customer as being vulnerable, or it has reason to suspect that they may be, firms should consider whether it is appropriate to pass the account to a debt collection agency for contingent collection. This decision should be informed by what is known about the customer's circumstances, the support that is currently being provided by the firm and whether passing the debt to third party could have a detrimental effect on the customer.

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 here is to ensure a seamless and uninterrupted customer experience and a fair outcome.

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

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

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.

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

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

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

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

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

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]

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

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.