

The LSB's Information for Practitioners

The Standards of Lending Practice for
personal customers

Product and service design

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.

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.