

LSB's Year in Insight

2021

2021 has been another extraordinary year, with many individuals and businesses impacted by the disruption and challenges caused by coronavirus. During this time, the Insight team at the Lending Standards Board (LSB) has worked to support our registered firms to embed the Standards of Lending Practice and the other Codes we oversee. This has been achieved through a wide range of activities, from forums and training sessions, to thought pieces, articles, and podcasts. Within this piece, we will revisit some of the key insights from over the last twelve months and provide considerations for delivering better customer outcomes.

CULTURE ABOVE ALL

A key theme of our work this year has related to the importance of culture when delivering against the Standards and Codes. Alongside speaking about culture at industry events, we wrote about how the culture of a firm impacts every element of how it conducts its business.¹ For this reason, embedding the right culture is vital to ensure that firms are doing what they say they do and delivering good outcomes. A poor culture can manifest itself in various ways, from there being inadequate governance structures, to offering the wrong incentives, or having staff who misunderstand how customers should be treated.

This year has been an important time to remember that cultures can and do change. Sometimes this can be a positive, for example, enabling a shift away from a sales driven culture to one where customer outcomes are more valued. However, cultures can also erode over time and this is particularly true during periods of change or flux. It is very likely that firms' cultures have changed since the beginning of the pandemic. For example, the culture within firms that are now predominantly working remotely will likely be different to how it was when office based. For this reason, firms should continually review and develop how they manage and promote their culture and values. All of the insights and best practice standards below can only be delivered within a culture that is committed, equipped, and incentivised to deliver good customer outcomes.

MONEY MANAGEMENT

Money management² was a central theme of our work across 2021. Below we look at three topics relating to money management – credit and essential spending, the effective use of management information (MI), and selling the benefits of engagement.

Credit and essential spending

In March we looked at the use of [credit and essential spending](#). This considered whether there were signs of financial difficulties that firms could miss because of their everyday nature, including behaviour that is as normal as spending money in a high-street shop or supermarket. Using research that looked at how some adults regularly use credit for food and bills, we considered what firms could do to recognise potential difficulties at an early stage. This included understanding the difference between those using credit by choice and those using credit by necessity.

One way to increase the likelihood of identifying those in pre-arrears could be to educate staff on how some customers end up using credit. This provides staff with greater knowledge of when to ask about a customer's situation to identify opportunities for early support. To illustrate this, consider a customer who is contacted due to going overdrawn on their account. During the contact, the customer explains it is a temporary issue and should be resolved soon. However, if recent transactions show utility bills were taking the customer over their agreed overdraft, it could be worth the agent asking if the customer was finding it difficult to budget or had any other challenges they could assist with.

In order to ask probing questions such as those required to fully understand a customer's circumstances, staff should be trained to have empathetic conversations. We looked at how to do this in our [podcast](#) series and this can be used to gain best practice ideas for firms to implement within their teams.

¹ LSB, [Culture and the CRM Code: why culture matters to good outcomes](#)

² LSB, [Standards of Lending Practice – Money management](#)

Effective use of MI

The effective use of MI is always vital to ensure good outcomes in all areas of the customer journey. It is particularly important when looking at how firms identify and support those in pre-arrears and later financial difficulty. For firms who are unsure how to best use MI, it is important to start by considering two things, firstly, what do you wish to capture and secondly, what information is available. By considering these two points it is likely that you can build out MI in a way that can inform the wider business of how it is interacting with its customers.³

By using MI to analyse credit usage, firms may be able to proactively identify if customers are using credit in an unsustainable way. Reviewing account usage during the build up to entering financial difficulties could also provide useful insight. For example, analysis could show an increase in cash withdrawals or frequent requests to change payment dates prior to entering arrears. Firms could then use this information to better identify customers who may be at risk of financial difficulties before deciding on the best way to offer proactive support.

Selling the benefits of engagement

In the blog [Figuring it Out](#), we looked at how firms can achieve openness and co-operation from customers by better explaining the value of engaging with them. The piece used the example of income and expenditure (I&E) assessments and how explaining to customers the reasons for completing one is as important as gathering the required financial information. If customers think of the I&E as just a tick box exercise firms do before discussing repayment options, they are unlikely to fully engage with it. The same is true for staff completing the I&Es. Advisers who understand their value and true purpose – to inform the firm and customer and create affordable repayment options – will take their time, actively listen, and probe to get the truest picture of the customer's circumstances.

There are many examples of where firms should 'sell' to customers the reasons and benefits of positively engaging with them. I&Es are one where the right solution can only be reached by the customer thinking through their responses and giving an accurate representation of their finances. Another is in relation to vulnerability and self-disclosure. Staff need to know why customers should be encouraged to tell the firm about any circumstances affecting their journey, so that the firm can make any adjustments needed. Staff should then explain these reasons to the customer, in order to get their active participation.

³ LSB, [Standards for All - Governance](#)

VULNERABILITY

Coronavirus clearly had an effect on how many customers were in potentially vulnerable situations. Our Insight work focusing on how to support these customers included looking at the power of customer journey reviews, non-standard identification, and how to see the whole picture of a scam when considering a claim under the Contingent Reimbursement Model (CRM) Code.

Reviewing the customer journey

Customer journey reviews (CJRs) provide firms with a great opportunity to get a holistic view of the outcomes they are delivering. Because of their importance, it is highly valuable to consider not just whether you are completing CJRs but how you are delivering them. We looked at journey reviews in detail within the thought piece [Better Reviews, Better Outcomes](#). This provided registered firms with thoughts on how to gain the most insight and value from journey reviews with a focus on bereaved customer accounts. The importance of reviews on business customer accounts was also discussed within our joint research report with the Institute for Turnaround, [Turning a Corner](#).

For example, firms should consider how they present CJRs internally and ensure they are delivered in the most impactful way. The LSB has seen great examples that use a landscape format and track across a timeline, briefly detailing every interaction with links to the relevant call, contact note, letter etc. Underneath the steps taken along the customer journey, firms can highlight areas of compliance, good practice, or breaches of policy or process. By taking the time to consider how CJRs are presented, firms can ensure that they are clearly understood by colleagues around the firm. This way they can be shared and the insight utilised without relying on all readers understanding the minutiae of the process or technical requirements.

Non-standard identification

In July, we looked at how a significant minority of customers without easy access to [standard forms of identification](#) may face challenges accessing financial services. For example, passports are the most prominent example of a standard identification (ID) document but 17% of British residents (11.2 million people) do not hold a passport. Another standard form of identification is a full driving license, however, 26% of the population aged over 17 do not have one. These figures help

demonstrate that for a considerable percentage of the population, standard forms of identification may not be readily available. The piece considered what firms can do to support these customers.

One way of doing so is through focused and effective training. Identification training should explain to staff both the why and how of the process. This means explaining why it is important (in terms of the legal and regulatory implications) and the how (in relation to the process). Along with explaining the impact on the firm of getting it wrong, training should present the risks that incorrect onboarding presents to customers. For example, giving the wrong information to customers or not helping when there are identification challenges could result in the customer being underbanked or being unable to access the best products for them. Highlighting risks like this can help the subject 'stick' with staff as it emphasises how it is more than just a process but has a direct impact on customer outcomes.

Seeing the whole picture

We continued our thought piece series looking at the CRM Code by considering the role that [culture plays when delivering good outcomes](#). This piece followed on from last year's work considering the importance of understanding the ['characteristics' of a customer](#) when assessing a CRM claim. Both thought pieces are for CRM signatory firms only and the first looked at how a customer's individual circumstances affect how they could fall victim to a scam; the skills needed to get a holistic view of a customer's situation; how firms should record any information that is gathered; and the importance of explaining a decision to a customer. The contents of this piece are still relevant to CRM signatory firms and should be considered when reviewing their approach to the Code.

In relation to recording information, in situations where the customer's reporting of the scam is taken in one instance (such as at first point of contact), firms must be confident that their approach ensures that all relevant details are gathered at the time. Accurate records of the account given by a customer must be made, both for an audit trail to evidence the reasoning behind a case decision, but equally so other colleagues within the firm can get the whole picture of what the customer said. This is especially important in instances where the customer's initial account is taken by one member of staff (for example, within a fraud department contact centre), before the case is handed onto another team for investigation.

DIGITAL

The last eighteen months has for many increased the reliance they place on digital channels in order to access financial services. As our registered firms and their competitors continue to develop and create their digital offerings, we looked at a number of areas relating to digital and the customer journey. By hosting a workshop and [writing on the topic](#), we hoped to provide firms with insight and best practice examples to help shape their approach to digital channels. These included how to present key information, disclosure and digital, and escalation channels.

Presenting key information

One challenge for firms posed by digital is to provide key customer information whilst keeping the process smooth and accessible. Without personal interaction during a sale, for example, from an adviser over the phone or in branch, firms also need reassurance customers have read and understood key information. This challenge is not unique to digital channels. Even with advisers present, making sure a customer understands such information can be difficult. For other non-face-to-face sales, such as card applications done by post, firms also have to consider how to best present key information.

The workshop discussed how there was interest from some firms for increased industry alignment in relation to how certain key information is presented, particularly when selling a product digitally. However, in the same way that any industry approach would be agreed, individual firms need to now consider the best way to present key information. By getting early engagement between product development, design, and legal and compliance teams, firms can establish what should be presented and the best way to do so. Firms should also consider what they can do to promote the reading and comprehension of that information by the customer. This could include, for example, creating friction points to provide the customer with the time and impetus to take on board key facts. Customer panels can be used to understand how customers react to different information options prior to releasing anything in the live digital space.

Disclosure and digital

Customers must be able to easily tell firms about any financial difficulties or vulnerabilities they may be facing and they should be encouraged to do so. This is just as true in the digital sphere as it for 'traditional'

channels. The disclosure process must be simple⁴, empathetic, and encouraging to counteract worries the customer may have about disclosing information relating to a vulnerability or financial difficulty. These could include concerns that the disclosure could affect their relationship with the provider (for example, fear of losing a credit facility), a feeling of personal embarrassment (such as if disclosing an addiction) or the customer may not realise the need and potential benefits of informing the firm.

Through any digital offering, it should be clear to customers how, when, and why they should tell the firm about any change in their circumstances. Having sections of the website or app that are dedicated to additional support and financial difficulties can make it easier for customers to find any information they are seeking. Firms should consider how information relating to disclosure is presented, to make it as accessible and effective as possible. Additionally, in a similar manner described in 'selling the benefits of engagement', firms should explain to customers why it is advantageous for them to make contact to increase the likelihood of them doing so.

Digital escalation

During forums and other interactions with firms held over the year, we have discussed the challenges and opportunities within the digital space. One of these related to the desire for some firms to move from a hybrid digital system (i.e. one relying on other channels for certain elements of the process or journey) to a purely digital approach. For some customers, a digital only service would be their preferred option and, if things go wrong, they will want to be able to resolve issues using the same channel.

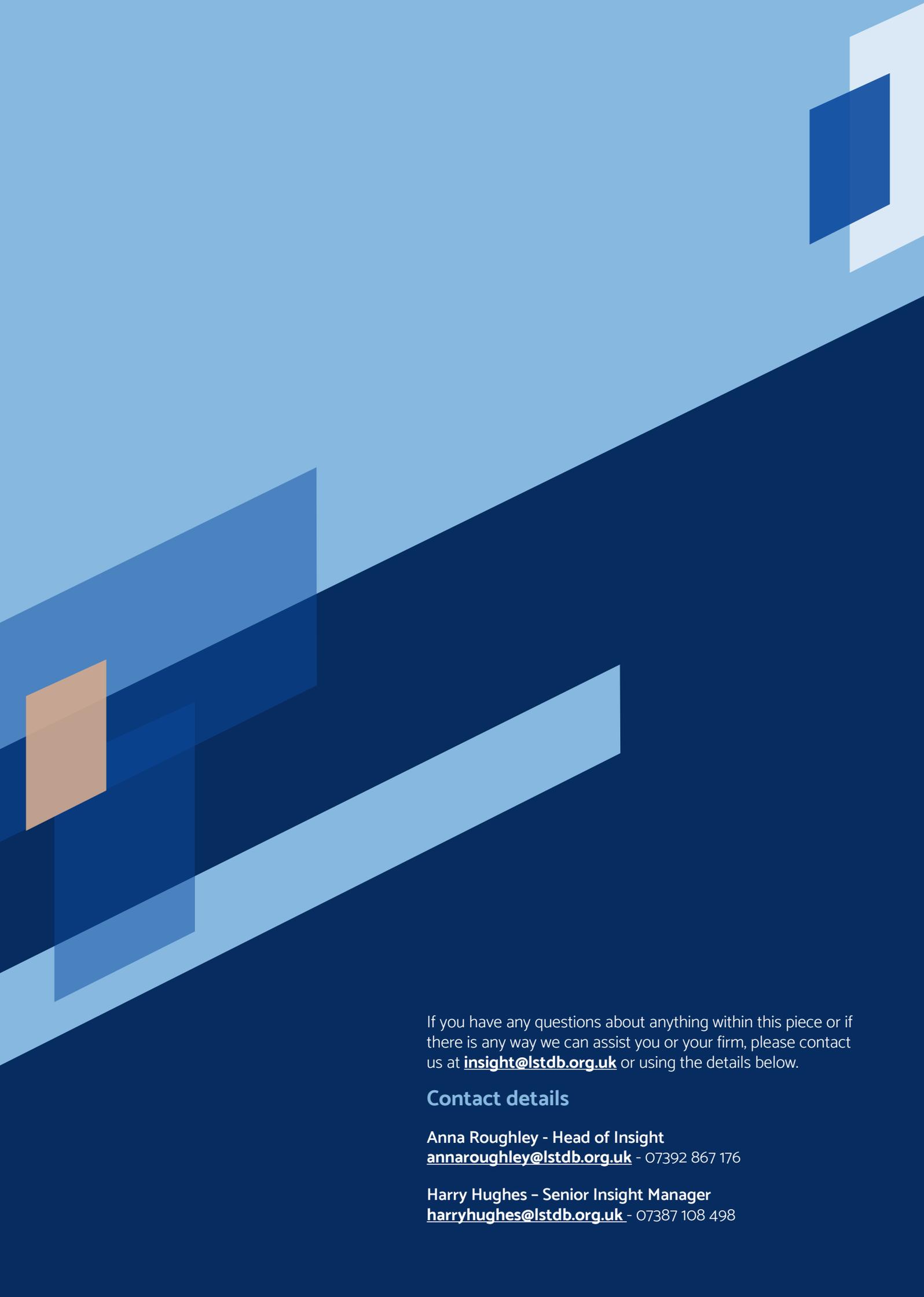
With this in mind, it is worth firms considering how their digital journeys currently work when things go wrong. For example, if the customer needs to escalate a matter to get assistance, do they have to call in or can they resolve the matter on the same channel. If not, why is this not an option? What would happen if the customer used a digital channel due to access needs and this meant the escalation channel was unsuitable etc.? There are also considerations for firms in relation to identifying and signposting customers digitally. When done in live customer interactions, there are techniques available that can deliver signposting in a timely and effective manner.⁴ This may be more challenging within the digital space, however, by questioning and looking critically at the digital journey, firms can continually refine and develop their approach to improve outcomes for customers.

⁴ LSB, [Keeping it simple: the fight against jargon and unsuitable comms](#)

⁵ LSB, [Lunch 'n' Learn podcast – Signposting](#)

LSB'S YEAR IN INSIGHT

Customer journey	The customer journey in a digital world: innovation and good outcomes	Explores how firms can tailor their digital offering to ensure good customer outcomes.
	The customer journey in a digital world: part two	Discusses how firms can navigate digital challenges and opportunities.
Affordability	Credit and essential spending	Why using credit to pay for essential spending could be a trigger for signs of financial difficulty and what lenders can do to support those customers.
	Figuring it out	How I&E assessments can lead to better customer outcomes and the importance of explaining the benefits of a process to the customer.
Vulnerability	Refresher E-learning Review	Understanding the effectiveness of refresher vulnerability e-learning.
	Identifying challenges: supporting those with non-standard identification	How registered firms can support those with non-standard identification and the risks of getting it wrong.
	Better reviews, better outcomes	Why better customer journey reviews can lead to better outcomes and why empathy holds the key, particularly for those experiencing loss or bereavement.
Upskilling	Keeping it simple: the fight against jargon and unsuitable comms	Exploring why keeping it simple with communications can increase customer engagement in financial services.
	Lunch 'n' Learn - Episode 1: Empathy	Podcast: Our first episode looked at empathy and how to develop an empathetic culture within firms' customer facing teams.
	Lunch 'n' learn - Episode 2: Signposting	Podcast: Episode two focusses on the benefits of effective signposting and how firms can upskill to produce better outcomes for customers.
	Standards for all: Delivering good outcomes regardless of size. Part 3: Training	How to create training that delivers the skills staff need within a culture of continual development.
SME Support	Turning a corner - joint IFT and LSB report	A report on the importance of turnaround in helping firms in difficulty.
Oversight	Standards for all: Delivering good outcomes regardless of size. Part 1: Governance	Why good governance is critical to deliver better outcomes and how to implement it.
	Standards for all: Delivering good outcomes regardless of size: Part 2: Assurance	Provides practical examples for firms to consider when reviewing their approach to assurance.
CRM	Seeing the whole picture: customer characteristics and the CRM Code	How firms can understand the 'characteristics' of a customer when investigating a case under the CRM Code.
	Culture and the CRM Code: why culture matters to good outcomes	Explores the importance of a good culture and how it can be achieved.



If you have any questions about anything within this piece or if there is any way we can assist you or your firm, please contact us at insight@lstdb.org.uk or using the details below.

Contact details

Anna Roughley - Head of Insight
annaroughley@lstdb.org.uk - 07392 867 176

Harry Hughes - Senior Insight Manager
harryhughes@lstdb.org.uk - 07387 108 498