

Vulnerable customers

Industry research: from final guidance to action

April 2021



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1. Executive summary

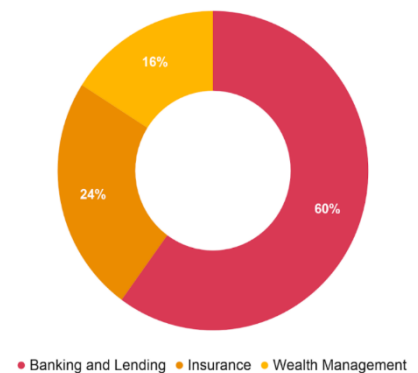
The FCA's long-anticipated final guidance on the fair treatment of vulnerable customers was published in late February 2021, providing welcome clarity on this important topic.

With the guidance effective immediately, and consumer vulnerabilities increasing (the FCA's October 2020 financial lives survey found over 50% of UK adults displayed at least one characteristic of vulnerability, an increase of over 3 million people since February 2020), the need for improved outcomes for vulnerable customers has never been greater. But neither have the challenges: from data protection to tailored training and legacy systems, and in an environment of cost pressures and competing priorities, it is not easy for firms to meet regulatory expectations on this issue, even with the best intentions.

To explore these issues in more depth, PwC Research issued an online survey in February 2021, to gather insights on how firms are approaching the topic of vulnerable customers. We received responses from firms across the banking and lending, insurance and wealth management sectors.

The survey was structured around the four key areas where we believe firms need to take action in this space: understanding customer needs, empowering staff, technology and culture (as we explored in our [October 2020 white paper](#)). In this report, we summarise the key findings from the survey across those four areas, set out recommendations for firms, and highlight some examples of leading practice that we've seen from our extensive work with firms.

Survey respondents by sector



The central findings include:

- **Staff feel empowered to treat vulnerable customers fairly.** Encouragingly, the survey indicates that most firms empower staff to do the right thing for customers. For instance, 60% of respondents strongly agree (and a further 28% agree) that all staff in their firm understand their responsibility to treat vulnerable customers fairly, and all respondents agree (36% strongly agree) that staff are supported to do the right thing for the customer regardless of the time or cost to the firm. We also found that a large proportion of respondents believe staff feel empowered to provide flexibility based on customer circumstances, across several areas.
- **Meaningful cultural change.** While the findings show a number of positive cultural indicators, they suggest some firms have more to do to truly embed meaningful cultural change. The survey suggests that complacency may be present in some firms - for example, in assuming they know the most common indicators of vulnerability in their customer base, without carrying out research to verify those assumptions. Other respondents reported that vulnerability champions hadn't been successfully embedded within their firm, or that the product and design process was not contributed to by individuals with a diverse range of views and experiences. All of which suggests that many firms still have some way to go to truly embed a customer-centric culture, and to ensure the measures they put in place are effective and not just for show. Getting this right can help firms to articulate a meaningful purpose, go some

Understanding that sometimes being nice and helpful isn't enough to ensure that we are doing the right thing by customers who are deemed vulnerable. It is easy to put training in place, much more difficult to appropriately identify vulnerability and then ensure that the correct approach is taken.

Quote from a banking respondent on the challenges they face.

way to meeting the FCA's broader expectations on culture, and result in benefits such as increased customer retention, lower complaints and enhanced reputation.

- **Focus on non-customer facing areas of the business.** It was clear from the survey that while firms have made much progress on customer-facing aspects of their business, there is a need for more focus on product and service design, and other non-customer facing functions. We found that 17% of product and service design teams, and 20% of senior management/board, for example, are receiving training on vulnerable customers either on a one-off basis only or not at all. A greater focus on the design stage of the customer journey can improve outcomes and consistency, and reduce the resource firms have to spend on putting things right.
- **Beyond identifying vulnerabilities.** While it's positive to see all firms agreeing their technology successfully supports the recording of both customer vulnerabilities and needs, the research shows firms still have some work to do in taking the crucial next steps after identifying and recording vulnerabilities. This includes making changes across the product lifecycle to meet customer needs, and focusing on monitoring and evaluating outcomes. Our research found that technology limitations are a barrier to taking these steps for many firms - we identified a lack of maturity in terms of data aggregation, vulnerability trend analysis and generating effective management information (MI). The ability to take the next steps beyond identifying vulnerabilities is crucial to improving outcomes for vulnerable customers - and being able to evidence those outcomes to the FCA.

One of our biggest challenges is making system changes that enable us to go further than ticking boxes.

Quote from an insurance respondent.

Looking ahead, firms can expect to be challenged about how they treat vulnerable customers and the outcomes such customers receive, through their supervisory interactions with the FCA over the coming months. The FCA plans to formally evaluate the guidance in 2023/24. In the intervening period, we believe shared learnings between regulators, industry bodies and firms will be key to firms building on the good progress they have already made.

We hope you find the insights in this report helpful as you translate the FCA's final expectations into beneficial actions for your customers and your business.

2. Our research findings

2.1 Understanding customer needs

The FCA's final guidance states that firms should understand the nature and scale of vulnerability in their target market and customer base. We asked firms how they do this, and what actions they've taken to meet customer needs as a result.

Findings and recommended actions at a glance

- Facilitate effective and timely disclosure through all channels: Firms use a range of methods to encourage customer disclosure, but should consider whether there are additional methods they could use, particularly through digital channels and in ways which promote the benefits of disclosure.
- Learn directly from customers to gain a true understanding of their needs: Firms should use more 'outward looking' methods to learn directly from customers, and challenge any internal assumptions.
- Consider changes to meet customer needs across the whole product lifecycle: Encouragingly, firms have made changes across a number of areas to meet customer needs, but they should ensure they're considering the whole product life cycle - including areas such as digital customer journeys, and existing products and services.

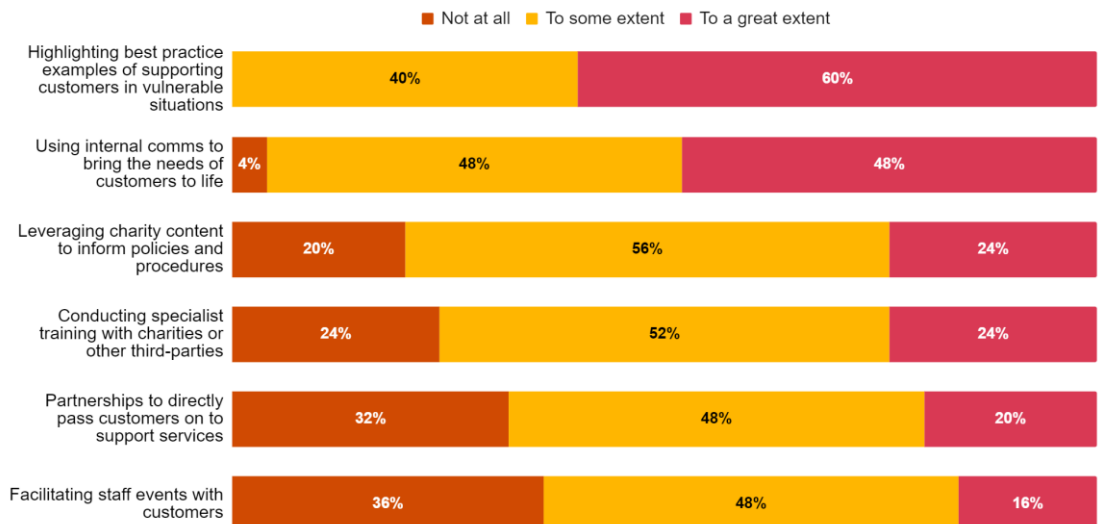
Findings in detail

Facilitate effective disclosure through all channels

We asked what measures firms use to support customers to disclose information about their circumstances (Q5 in Appendix). Encouragingly, we found firms use a range of methods across different channels - web pages on disclosure policy, and specific wording in call scripts were the most commonly deployed, by 80% and 79% of respondents respectively. By contrast, the least commonly used were in-app information on disclosure policy (17%) and vulnerability-themed marketing (22%). Chat bots also ranked towards the bottom, with 30% of respondents saying their firm uses these. It's important that firms consider the full range of options to encourage disclosure, and whether there's more they could do through digital channels in particular. Disclosure should be encouraged as early as possible in the customer journey, rather than after harm has occurred - the FCA found in its recent review of COVID-19 support guidance that some firms asked customers at the outset of a digital journey if they were experiencing health issues, so they could direct them to specialist support. Firms should also consider communicating to consumers the benefits of disclosing their circumstances and needs, to encourage openness.

Learn directly from customers to gain a true understanding of their needs

We also asked what methods firms use to enhance staff understanding of customers' needs (Q7). While this showed most firms are taking a broad approach incorporating a range of methods, it's notable that the most commonly-used practices were inward looking: 60% made significant use of best practice examples, and 48% made significant use of internal communications to bring customers' needs to life. At the other end of the spectrum, only 20% of respondents made significant use of partnerships to pass customers onto support services, and just 16% made significant use of staff events with customers. While the former methods can provide useful insights, we would encourage firms to also consider more outward looking measures such as working directly with third parties, charities and customers - to learn from their experiences first-hand and to guard against complacency.



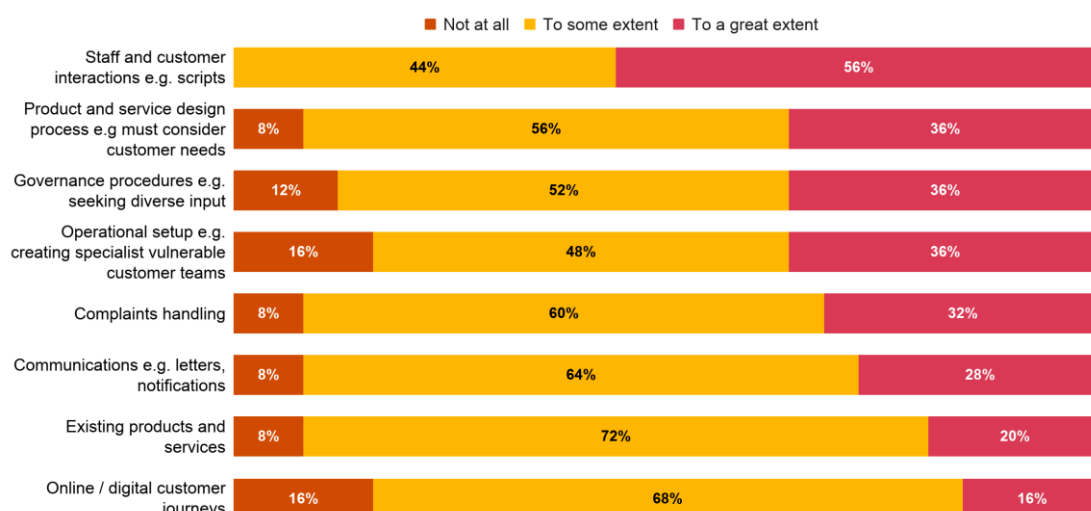
Q7. To what extent do you enhance your staff's understanding of customers' needs by utilising the following...

Consider changes to meet customer needs across the whole product lifecycle

Once firms have a better understanding of their customers' vulnerabilities and needs, they should ensure these needs are well understood by staff throughout the organisation, and are taken into account throughout the customer journey.

Our research found a large variation in the perceived level of understanding of customer needs and vulnerabilities among different teams (Q4). Respondents ranked risk/compliance teams as having the highest level of understanding, followed by customer contact centres and complaints handlers. But claims handlers, sales teams and outsourced customer functions ranked the lowest, suggesting firms may have some work to do to ensure all individuals within an organisation appreciate the role they have to play in understanding and meeting customers' needs.

We also asked firms what changes they had made, as a result of an increased understanding of their customers' vulnerabilities (Q6). Encouragingly, the responses show most firms have made a range of changes, showing an advanced level of maturity - firms are not just identifying vulnerabilities and needs, but taking the crucial next step by making changes to meet those needs. There was, however, a notable variation across different areas. Over half (56%) of respondents said they had made changes 'to a great extent' to staff and customer interactions such as scripts, but only 16% said the same for online customer journeys. The other areas where fewest firms had made changes were communications (28% of respondents said their firm had made major changes), and existing products and services (20%). The variation across areas suggests firms need to consider the whole product lifecycle, when looking at the changes they can make to meet customers' needs - for example, by building optionality into digital journeys to allow customers to seek clarity or access non-digital support if needed.



Q6. To what extent have you made any changes to the following, as a result of an increased understanding of the vulnerabilities within your customer base...

Challenges

We asked firms to share the biggest challenges they face in meeting the FCA's expectations in this area. Below are some common themes and verbatim quotes from respondents:

- Identifying and recording vulnerabilities: Responding to a broad scope and range of vulnerabilities, system limitations in recording vulnerabilities, knowing what information to record, difficulties in encouraging disclosure and obtaining information from customers in a sensitive way.
- Digital and execution-only channels: Encouraging disclosure, identifying vulnerabilities and providing tailored support were all highlighted as being more difficult through these channels.
- Culture: Ensuring all staff comprehend their responsibilities in understanding customer needs.

Our greatest challenge is identifying vulnerabilities and providing tailored support through digital channels.

It's a challenge to shift organisational culture to a place where it is widely understood and bought into that it is the responsibility of every member of staff, whose work ultimately impacts the customer, to have a laser-like focus on understanding customer needs.

The biggest challenge is the broad scope of vulnerabilities to be considered, and the fact they may affect most of our customer base over the course of a year. We are seeing an increasing number of customers requiring additional support.

The biggest challenge has been recording the needs of those customers who we understand to be vulnerable.

Leading practice

Below are some examples of leading practice within 'understanding customer needs' identified through our work with firms and from survey responses.

An insurer commissioned an external research agency to conduct 1,000 interviews with their customers, the findings of which were shared with the board. As a result of the research, the firm realised that the most common vulnerability among its customers was not age, as it had previously thought, but in fact financial capability. In response, the firm delivered further training to frontline staff, which allowed them to have deeper conversations with customers and encourage greater disclosure of vulnerabilities.

A bank wanted to better understand the needs of its customers across a range of products and customer types. As part of this, they wanted to get senior colleagues 'up close and personal' with customers. They ran a series of events, each focused on a particular product. Each event had four tables of customers (split by life stage), who discussed their experiences and needs. Colleagues moved round the room, listening to the different conversations. The impact of this was far greater than sitting in the boardroom hearing second hand how customers feel.

2.2 Empowering staff

The FCA guidance states that firms should equip staff with the skills and capability to recognise and respond to the needs of vulnerable customers. We asked firms about two central aspects of this: training, and empowering staff to respond to customers' needs and make the right decisions.

Findings and recommended actions at a glance

- Provide appropriate training for staff across the organisation: Firms should ensure all staff who have an impact on the product lifecycle and customer journey are appropriately trained to identify and support vulnerable customers, including those in non-customer facing functions.
- Achieve an appropriate balance between flexibility and consistency: Firms should assess whether they are allowing for a suitable degree of flexibility across different areas, and consider how to achieve the right balance between flexibility and consistency.

Findings in detail

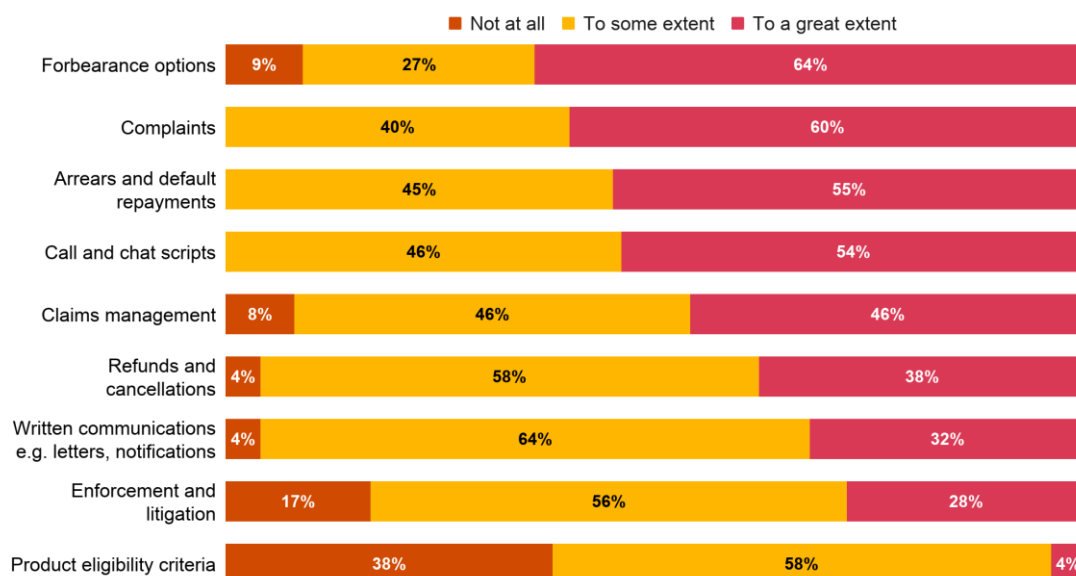
Tailor training for different teams

Over half of respondents said their firm provides training on vulnerable customers more than once a year to specialist vulnerable customer teams, customer contact centre staff and collections teams. However, other groups receive training much less frequently (Q10). Concerningly, 17% of product and service design teams, and 20% of senior management/board were reported to receive training on vulnerable customers either on a one-off basis only or not at all. The proportion of senior management/board receiving training on a one-off basis or not at all rises to a third for large organisations (those with over 5,000 staff).

The responses to this question suggest firms need to do more to ensure they are equipping all parts of the business to play a role in ensuring fair outcomes for vulnerable customers - not just the teams who frequently come into contact with customers directly or after a difficulty has arisen, but those who could prevent difficulties from arising in the first place. And while senior management and boards may be receiving briefings not considered 'training' on vulnerable customers, we would encourage firms to reflect on whether their senior management/board are adequately equipped to provide sufficient oversight on vulnerable customers. Further, firms should consider whether new or less experienced staff would benefit from additional training - as the FCA suggested in its recent review of firms' implementation of COVID-19-related support guidance.

Achieve an appropriate balance between flexibility and consistency

We also asked respondents to what extent they believe staff feel empowered to provide flexibility, based on customer circumstances, across various areas. Again, this revealed significant variations, with 64% of respondents saying staff feel empowered to provide flexibility to a great extent on forbearance options, and 60% saying the same for complaints. Conversely, just 32% of respondents said staff felt empowered to provide flexibility to a great extent for written communications, while 28% said this was the case for enforcement and litigation, and just 4% for product eligibility criteria.



Q9. To what extent do you believe staff feel empowered to provide flexibility, based on customer circumstances, across the following customer interactions

This is a complex area to unpick - while overly rigid processes which don't flex to meet customers' individual needs could lead to poor outcomes, too much flexibility might lead to inconsistencies or outcomes that are not in the customer's best interests. For example, too much flexibility on forbearance might lead to extending credit to the point it becomes unaffordable.

We would encourage firms to assess whether they are allowing for an appropriate level of flexibility across different areas - and whether their intentions are translating into reality, as many firms reported experiencing barriers to breaking protocols such as staff confidence.

Firms also need to consider how to achieve an appropriate balance between flexibility and consistency, which we know to be a challenge. Key to this is building flexibility into products and services at the design stage, to reduce the need for deviation later in the customer journey, and to ultimately achieve better and more consistent outcomes. Having robust escalation processes and governance over the options that staff can offer customers is also key to ensuring clear expectations for staff, and to achieving consistency even when going outside of standard procedures. For some firms, creating a specialist vulnerable customers team that staff can hand off to is an important aspect of this.

Challenges

We asked firms to share the biggest challenges they face in meeting the FCA's expectations in this area. Below are some common themes and verbatim quotes from respondents:

- Ensuring training is tailored and effective: tailoring training to different teams and to the firm, creating effective training on a topic which is situational, providing training that can adequately equip staff to make decisions "without being worried they are not doing the right thing either by the customer or the firm".
- Barriers to breaking protocols where appropriate to meet customer needs: these barriers can include staff confidence, inflexible processes, a lack of escalation processes, fear or risk of regulatory sanctions.
- Appropriate governance processes: making clear to staff the options they can offer to customers and decisions they can make, as well as when to escalate or hand off to specialist teams.

Training on how to respond to different vulnerabilities has been an issue for us because we don't have a dedicated vulnerability team, so the whole firm received CBT training which is not always effective or appropriate given this is often directed at retail banking firms. This results in a lack of confidence from client-facing staff in responding to vulnerable clients' needs.

Staff are actively encouraged to engage with customers and to make disclosure easy, but not everyone is confident at doing this no matter how much training we provide or how good it is.

Our internal research showed that staff were unwilling to break processes. Therefore our challenge is to create a robust escalations and exceptions process to allow staff to support customers by breaking processes in a confident, consistent and controlled fashion.

Our biggest challenge is clarity of process and delegation to make decisions – Our governance needs to be more agile.

Leading practice

Below is an example of leading practice within 'empowering staff' identified through our work with firms and from survey responses.

A building society commissioned some research to help them better understand customers in vulnerable situations. This included speaking to customer-facing staff to explore their experiences and identify how to help them support vulnerable customers. It highlighted the need to empower staff at the front line, allowing them to be flexible and make the right call for the customer. One example was a customer with mental health conditions who struggled to manage his money. Staff felt he would have benefited from their basic current account with limited features (specifically designed for those who are bankrupt). However, because he didn't fit the product eligibility criteria, staff were not able to offer him a solution to meet his financial needs.

2.3 Technology

With increased levels of digitisation and reliance upon technology to deliver solutions, we wanted to explore how firms are using this technology to improve outcomes received by vulnerable customers. This topic is also key to meeting the FCA's expectations on monitoring and evaluation, and understanding customer needs.

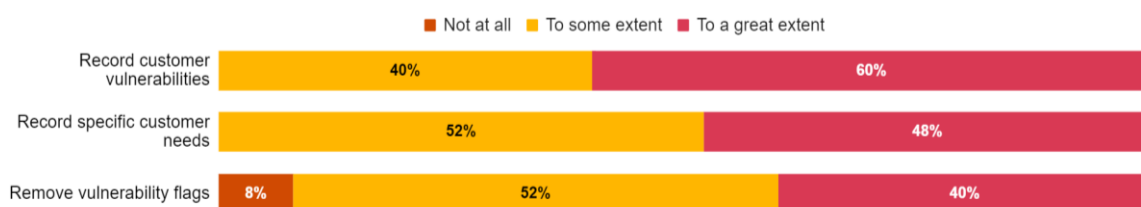
Findings and recommended actions at a glance

- Continue to focus on recording and identifying customer needs: The rephrasing of vulnerabilities to 'needs' when communicating with customers, and the ability to record these needs, can help to encourage disclosure and permission to record. We found all respondents to our survey were supported by technology to do this which is very positive to see.
- Move away from a 'tick-box' exercise: Our research found around one in four respondents' technology can only support recording basic vulnerability flags. These firms should consider whether a technological inability to support 'next steps' or analyse trends after identifying vulnerable customers meets FCA expectations.
- Invest in streamlined technology and internal capability: Legacy systems present the greatest challenge to delivering better technology support. Complex MI and the sluggishness of systems were highlighted as particular barriers to improved support by the majority of respondents. It's also concerning that over a quarter of firms reported not having single customer views, suggesting these firms either do not have an understanding of a customers' full circumstances, or have to carry out additional work to achieve this.

Findings in detail

Continue to focus on identifying and recording customer needs

It was very positive to see responses indicating that all firms agree their technology successfully supports the recording of both customer vulnerabilities (60% to a great extent) and their resulting specific needs (48% to a great extent).



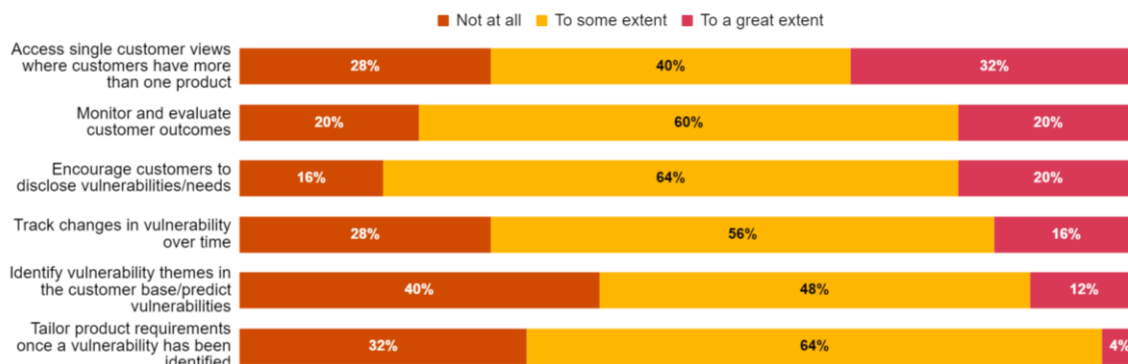
Q12. To what extent does the technology your firm uses support you to do the following...

The ability to remove vulnerability flags is widely enabled by technology as well (to 'at least some extent' in 92% of respondents), albeit we know firms often find it difficult to know when it is appropriate to remove these flags. The ability to both record and update individual flags is a vital component of delivering consistent customer outcomes. We have seen the positive difference recording a need versus a vulnerability can make when it comes to communicating with a customer. Focussing on needs can often feel less personal and negative, making it easier for customers to disclose and give permission to record.

Inherently linked to this is the way in which disclosures are encouraged, which has been covered in more detail in the *Understanding customer needs* section of this report. The ways in which firms capture vulnerabilities and needs will have to adapt to an increasingly digitised world, with records potentially being updated through in-app, chatbot and other online interactions. Although automated and AI solutions are being increasingly used for simpler customer queries (self-service), when it comes to sharing more personal information, a hybrid approach between automated and human solutions is likely to still be required. Whichever channel a disclosure is made in, firms must continue to focus on recording customer needs and using these insights to improve overall understanding of their customer base and deliver better outcomes as a result.

Move away from a 'tick-box' exercise

While the support provided by technology to record vulnerabilities and needs is very good to see, the actual positive impact upon a customer's experience comes from what happens next. It seems that, for a significant proportion of respondents, the ability to take the 'next step' after recording vulnerabilities and needs is missing. This suggests a greater effort is required to move away from a 'tick-box' exercise when considering vulnerability.



Q12. To what extent does the technology your firm uses support you to do the following...

There are a number of areas where technology does not seem to support firms' ability to monitor and evaluate vulnerability to the extent we might have expected. 40% of respondents said their firm's technology offers no support at all to identify vulnerability themes in its customer base. In a similar vein, nearly one third (28%) of respondents do not have technology that supports tracking changes in vulnerability over time, nor have access to a single customer view, and 20% are lacking technology support for monitoring outcomes. Firms for whom these statements are true should consider how to mature their technology offering to better support a deeper understanding of customers, particularly in how their needs change over time.

It's important to apply a filter of proportionality to these findings, however. Firms that do not have direct interactions with customers, a number of asset managers for example, may not need to develop certain technologies for tracking vulnerabilities or single customer views, but understanding more about their customer base will still be important for appropriate product and service design.

Invest in streamlined technologies and internal capability

When asked about the biggest challenges they face, two thirds of respondents highlighted three challenges: legacy systems, poor data quality and GDPR concerns. These are not surprising, nor are they new issues. What this tells us though is that for a large proportion of firms, investment in streamlined technologies and systems is needed to better support their vulnerable customers.



Legacy systems
76%



Poor data quality
68%



GDPR concerns
64%

Q13A. Which of the following challenges are you currently facing with respect to utilising technology to support your approach to vulnerable customers?

Unsurprisingly, larger firms were more likely to cite legacy systems as their biggest challenge, applying to 89% of respondents with over 5,000 employees, as opposed to 67% of respondents with fewer than 1,000 employees. Other common technology challenges included a perceived lack of investment, a lack of expertise (e.g. data scientists) and reliance on outsourced providers. Two respondents highlighted a lack of confidence in the 'status' of a vulnerability flag as a challenge, which relates to our finding above that a number of firms cannot accurately track vulnerabilities over time.

Considering these technology challenges as a whole suggests that investment should not only be limited to technology and systems themselves, but should also be focused on building internal capabilities. A combination of hiring expertise and bringing certain technological capabilities in-house may help to improve the agility and effectiveness of tools, and ultimately better support firms' approaches to vulnerable customers.

Challenges

As legacy systems were a common challenge highlighted by firms, we asked respondents what particular difficulties or barriers these systems present (Q13B). The top three legacy system-specific challenges are shown below.



Q13B. In what way are legacy systems presenting a challenge?

From the responses complex MI is clearly a persistent problem. This feeds into the wider picture of some firms being unable to deeply analyse their customer base. Systems which are difficult or slow to improve/integrate only exacerbate this challenge. There is an opportunity for organisations to review their technology strategies and consider integrating or partnering with FinTech solutions, to solve the issues of legacy systems and MI constraints.

The absence of a single customer view is a natural result of operating segmented systems across a business, and can prevent firms from achieving appropriate outcomes for customers. This problem is not new, and continues to be a costly challenge to solve. Creating data lakes or other workarounds may be short-term solutions, but are not a sustainable, future-proofed way of providing a single view of customers. Firms should consider implementing a cloud native solution that is integrated with key authoritative data sources across the estate to move towards achieving a single view of the customer.

Leading practice

Below is an example of leading practice within 'technology' identified through our work with firms and from survey responses.

We have seen a number of firms develop solutions that track and report on the identification and management of vulnerable customers. While these solutions provide an enhanced set of functionalities, they do require manual intervention to ensure accuracy, making these highly inefficient and time-consuming. Therefore, leading firms are exploring using voice and predictive analytics to automate the identification of vulnerable customers. By using machine learning analytics in real-time, front line staff can be provided with in-conversation prompts and guidance (including on next steps) to improve the customer experience. Additionally, by using voice analytics, firms can increase the coverage of their vulnerable customer programme and improve accuracy which leads to improved MI (e.g. trend analysis) for front line staff and supervisors.

2.4 Culture

Building a customer-centric culture has been an essential expectation of operating in the UK financial services sector for a number of years now. The FCA's guidance on vulnerable customers has reinforced the importance of putting customers first, and doing the right thing for the individual. A customer-centric culture should also be seen as a strategic advantage and differentiator. Improving outcomes for customers can improve retention rates and reduce complaints and redress.

Findings and recommended actions at a glance

- **Improve diversity of thought:** A quarter of respondents report a lack of individuals with a diverse range of views and experiences contributing to product and service design.
- **Make culture meaningful:** A number of responses indicate that actions taken to develop and embed customer-centric culture could be in danger of being just for show. One third of respondents do not have positive views on the advocacy of vulnerable customer champions, for example.
- **Dispel internal complacency:** To make real change firms need to ensure an accurate view is being taken of their internal culture, challenging internal assumptions to ensure they correspond with reality, and backing up claims with evidence of positive outcomes.

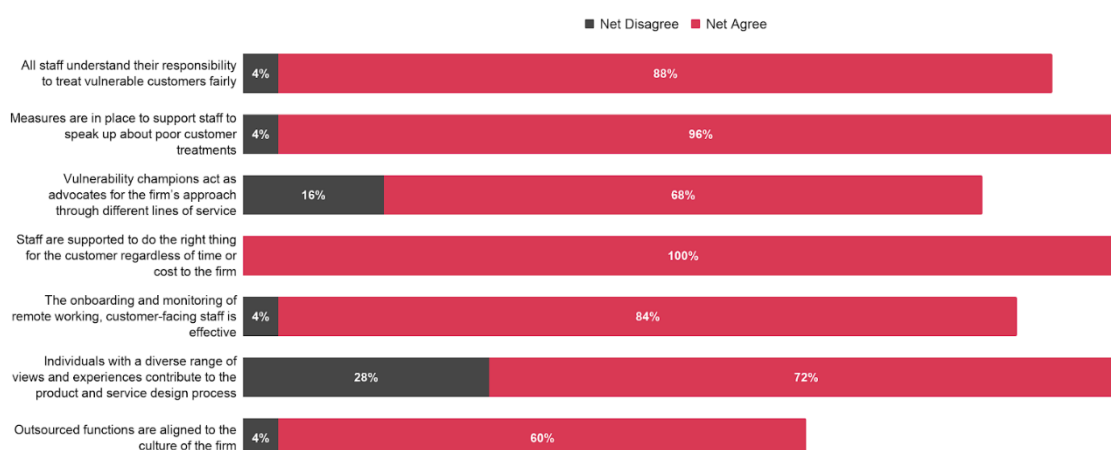
Findings in detail

Improve diversity of thought

In addition to the regulatory imperative to build customer-centric cultures, the FCA and PRA have now made diversity and inclusion, of both employees and customers, a consideration for all financial services firms. FCA Chief Executive Nikhil Rathī's [speech](#) on 17 March 2021 shows the FCA will be ready to ask 'tough questions' on diversity and it will be a crucial aspect in the FCA's consideration of vulnerability. In light of this, the fact a quarter of respondents do not believe individuals with diverse views and experiences contribute to the product and service design process is somewhat concerning. We'd encourage firms to consider whether diversity of thought is present in other processes too.

I would question if any firm can adequately respond to the needs of these [vulnerable] consumers if they do not have the diversity of background and experience required to overcome biases and blind spots.

Nikhil Rathī, CEO, FCA



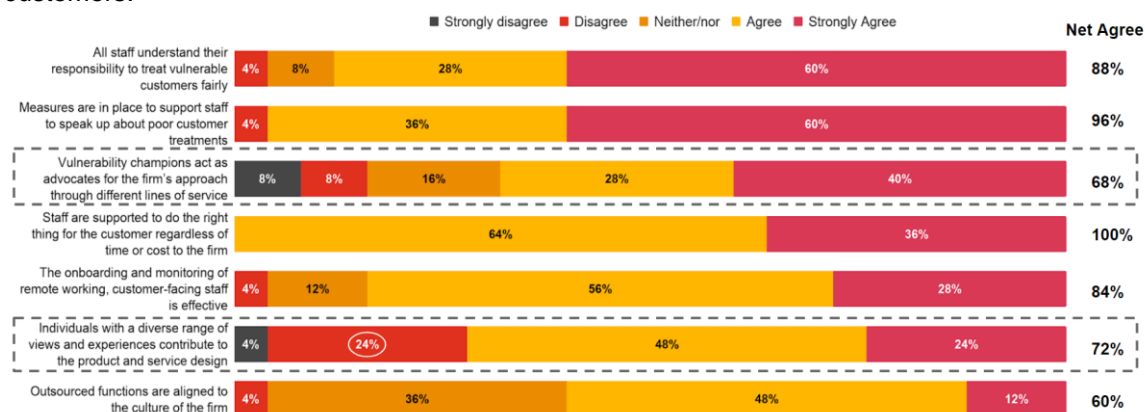
Q14. Indicate the extent to which you agree or disagree that each statement has been successfully embedded within your firm

The flipside of this finding though is that 72% of respondents felt diversity of thought is present in product and design teams. While this is positive to see, we would urge firms not to be complacent. With increased regulatory focus on the horizon, we think firms should firstly satisfy themselves

that diversity of thought can be appropriately assessed and evidenced, across both teams and grades. Action can then be taken to bridge any gaps with a view to improving diversity of thought in the interest of treating all customers more fairly.

Make culture meaningful

A 'meaningful culture' may have numerous interpretations, but we see it as the set of values and responsibilities staff adhere to when nobody's looking, backed up by firm-wide actions. Our question on the success of various cultural indicators suggests mixed levels of effectiveness in terms of creating meaningful cultures, which could result in mixed outcomes for vulnerable customers.



Q14. Indicate the extent to which you agree or disagree that each statement has been successfully embedded within your firm

A number of positives are very clearly present. All respondents agree success has been achieved in supporting staff to do the right thing for customers and in encouraging staff to speak up about poor customer treatments. The success level of these indicators suggests customer-centric culture is becoming well ingrained beyond a surface level.

Conversely, some responses suggest work on making culture meaningful is still needed. Over a quarter of respondents did not agree that vulnerability champions act as advocates for the firm's approach to vulnerability through different lines of service. Does this mean some titles or responsibilities are given out to individuals who do not actually embody the cultural values of the firm? When considering this question, firms may also wish to look at how individual or team accountability for vulnerable customers works in general - particularly the third of firms who have not given an SMF holder accountability for vulnerable customers (Q2). A further area where culture could be made more meaningful is outsourced functions. Over a third of respondents either did not know whether, or did not agree that, outsourced functions are successfully aligned to the culture of the firm. This becomes more of a concern if those outsourced functions are customer-facing, especially when considered alongside the finding from Q4 that respondents ranked outsourced functions as having the lowest understanding of vulnerability compared to other groups of staff. Firms may wish to reflect on how outsourced functions and vulnerability champions can be addressed to make culture meaningful. Maintaining a firm-wide customer-centric culture is a vital strategy in achieving good outcomes for vulnerable customers.

Dispel internal complacency

Respondents shared a number of challenges they face, which highlight the need for firms to not become complacent with culture, and to take stock of internal staff views. Assuming the correct culture is in place is potentially creating barriers for positive change in some firms. Complacency from some is also highlighted in other areas of the survey, such as a proportion of firms seemingly looking inward for answers, rather than seeking external support from charities and other third parties.

From practice we have observed in the industry we have seen firms proving their own assumptions wrong, both with regards to the most prevalent vulnerabilities in their customer base and their internal culture. Setting the right tone and approach to culture can help firms to articulate

a meaningful purpose, meet the FCA's expectations on treating vulnerable customers fairly, and benefit from improved consumer outcomes.

Challenges

We asked firms to share the biggest challenges they face in meeting the FCA's expectations in this area. Below are some common themes and verbatim quotes from respondents:

- Cultural complacency: firms assuming that the right culture is already in place, creating a barrier to further internal change.
- Competing priorities: a number of regulatory demands, and the pace at which they are occurring, is creating competing priorities for internal resources. As a result, the embedding of vulnerability as a key topic across organisations is more challenging.



Leading practice

Below is an example of leading practice within 'culture' identified through our work with firms and from survey responses.

An organisation conducted a review of key cultural insights that would indicate whether they were, or were not, moving towards a customer-centric culture. Through this exercise the organisation identified weaknesses in the way opinions from all levels are taken into account during product and service design, the extent to which flexibility is encouraged and with its level of external support (e.g. from charities). Looking inward through a critical lens allowed the firm to take action across these three areas and strengthen its customer-centric approach.

3. Looking ahead

We hope this report provides valuable insights for firms as they progress action programmes to ensure they are meeting the FCA's expectations as set out in the final guidance.

Crucial to the guidance's effectiveness will be how it is supervised and enforced. The guidance is effective immediately, and firms can expect to be challenged about their response through their supervisory interactions over the coming months. The FCA plans to integrate the treatment of vulnerable customers into its day-to-day supervision activities, meaning firms can expect to be asked for more information about their treatment of vulnerable customers and the outcomes such customers receive.

The FCA is also planning to formally evaluate the guidance in 2023-24, looking at what actions firms have taken and the outcomes experienced by vulnerable customers. But given that review is at least two years away, there is a journey both the FCA and firms must go on first.

A key part of that progression will be sharing learnings between regulators, industry bodies and firms. We would encourage the FCA to indicate to firms where it feels its expectations are being met, and where improvements could be made, as it carries out its supervisory activities over the coming months and years.

Our research highlighted that there are particular areas where firms would appreciate additional guidance and clarification - notably on the product and service design, and monitoring and evaluation sections of the FCA guidance (Q16A). A number of firms also told us that they would find it helpful to have more good and poor practice examples that are relevant to all sectors.

We strongly encourage industry and regulators to work together on these issues, and for firms to build on the good progress they've already made, to improve outcomes for consumers and for the industry.

3.1 Contacts



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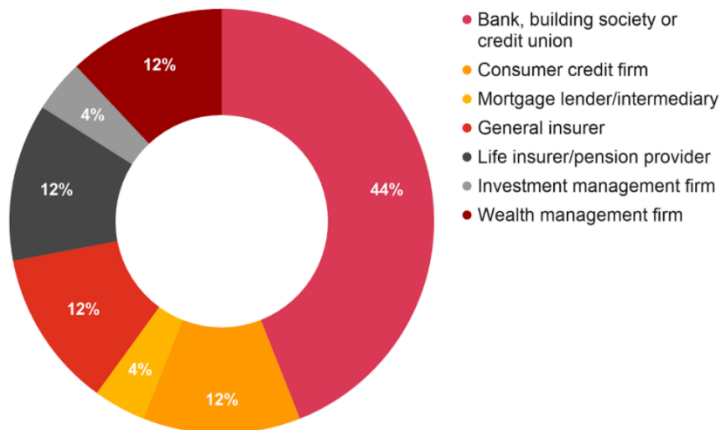
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Appendix

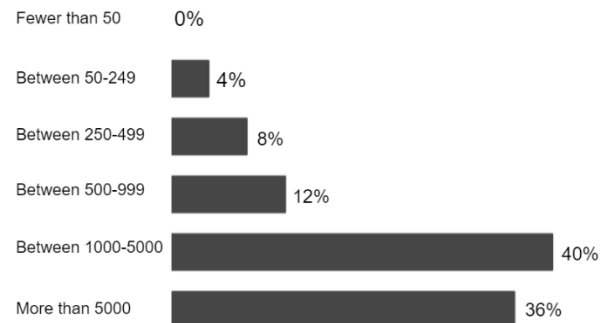
Appendix 1 – Research data



Type of business



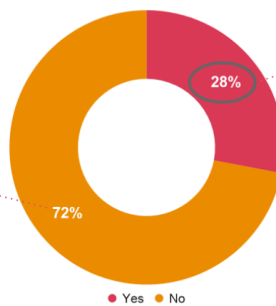
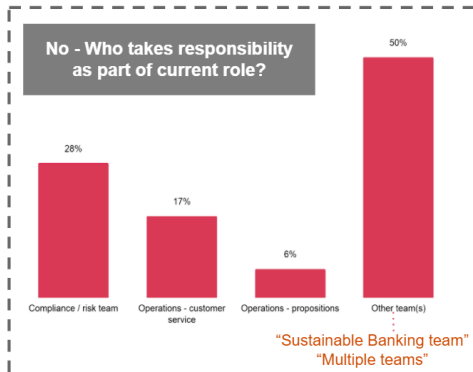
Employee headcount



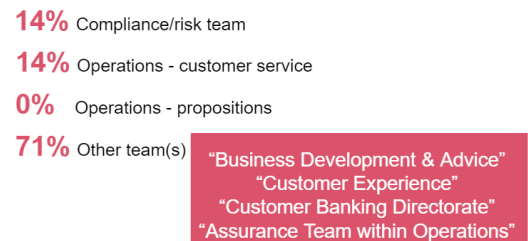
A1. Which of the following best describes your business?

A2. Please indicate how many employees your business has (at a group level):
Base: All respondents (25)

Does an individual or team have sole responsibility for the approach to vulnerable customers?



Yes - Where do they sit?



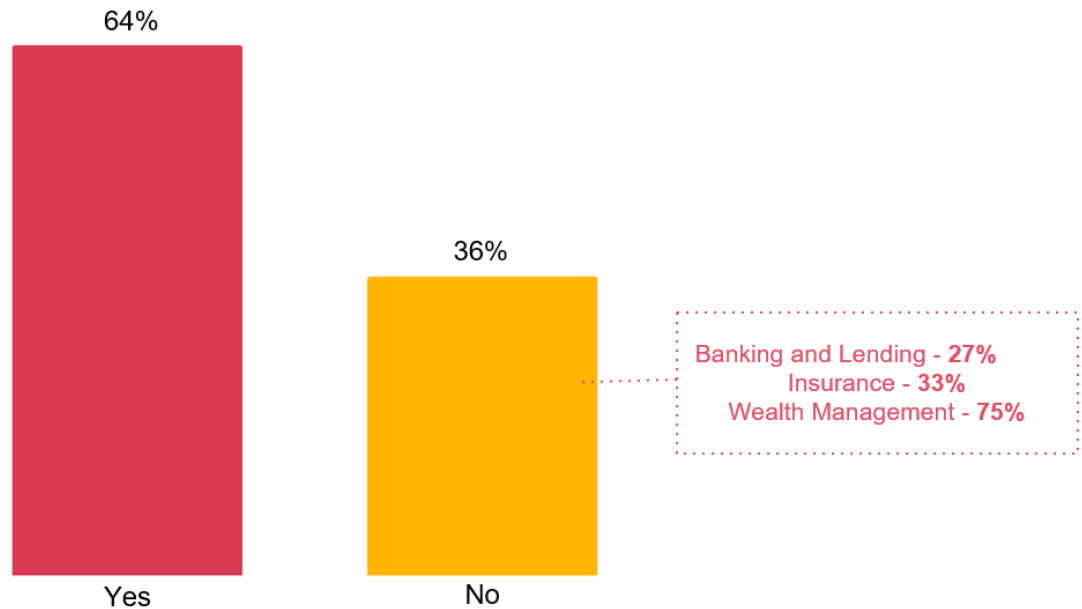
Q1C. Please select the relevant team who currently take responsibility for delivering your strategy and approach to vulnerable customers as part of their existing role: Base: Those who do not have an individual or team with sole responsibility for their approach to vulnerable customers (18)

Q1. In your organisation, does an individual or team have sole responsibility for your approach to vulnerable customers? Base: All respondents (25)

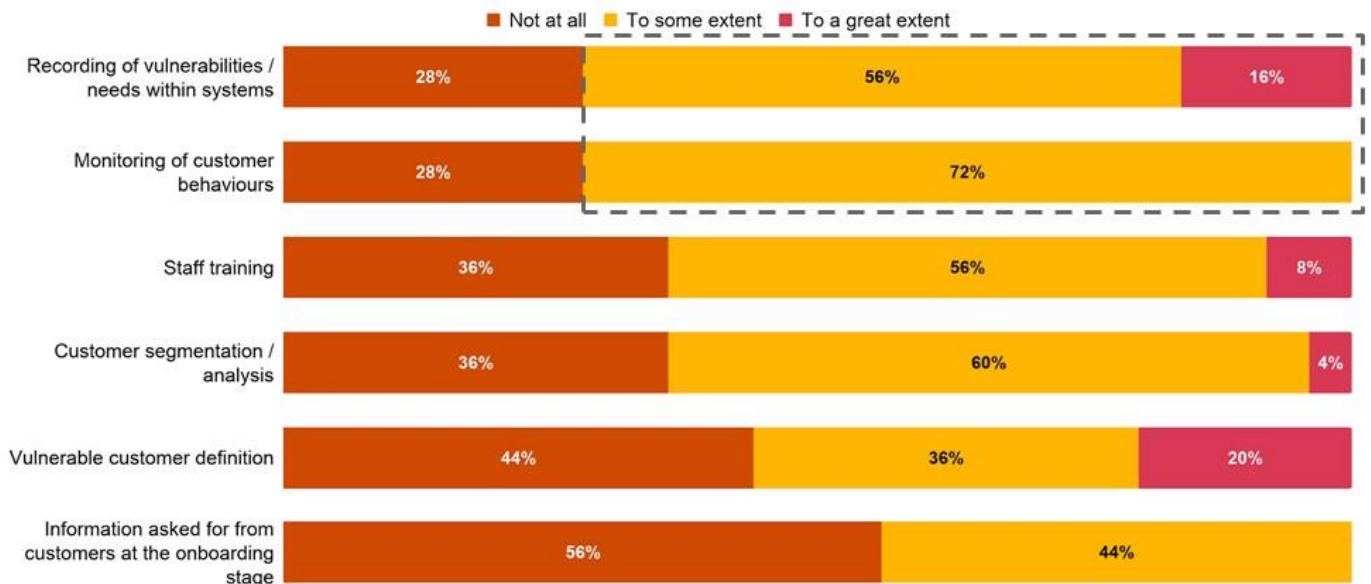
Q1B. Where does this individual or team with sole responsibility for vulnerable customers sit?
Base: (7) *Low base size. Care should be taken when interpreting results



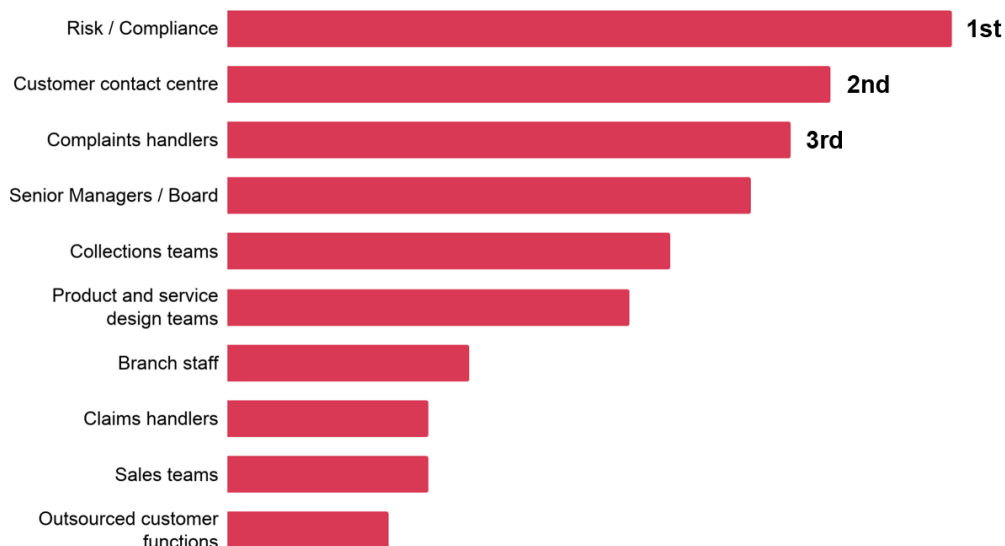
Is one of the firm's Senior Manager Function holders accountable for vulnerable customers?



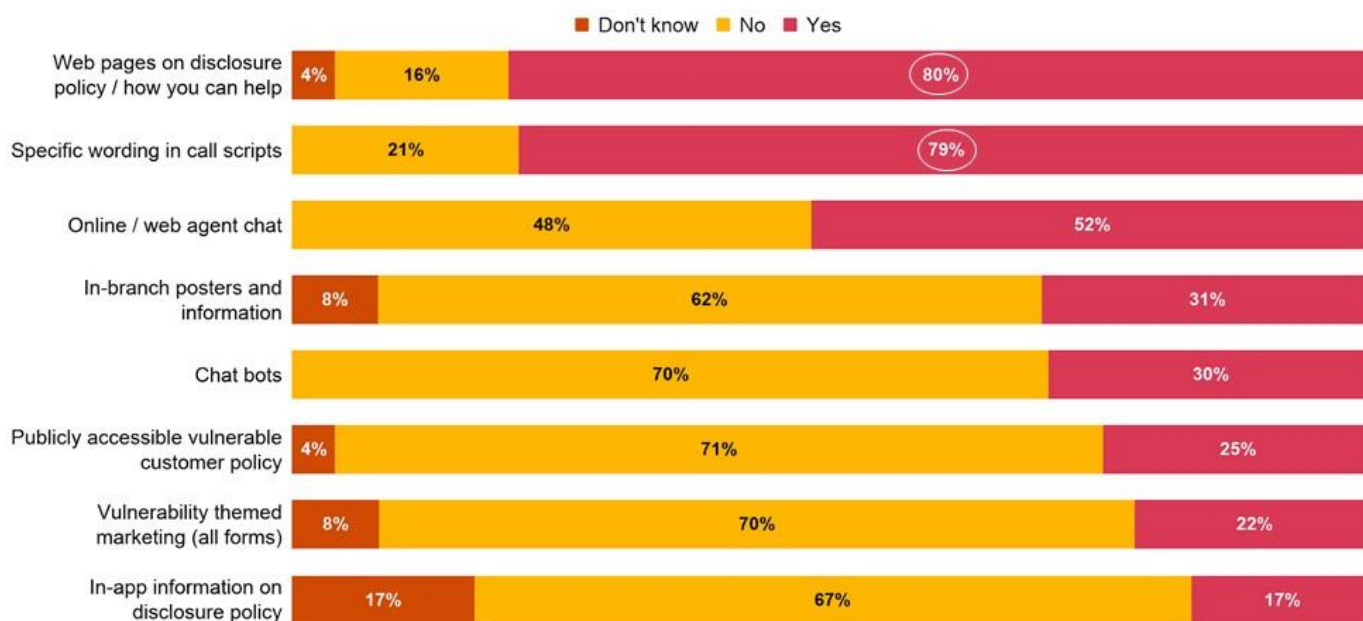
Q2. Is one of the firm's Senior Manager Function (SMF) holders clearly accountable for vulnerable customers? Base: All respondents (25)



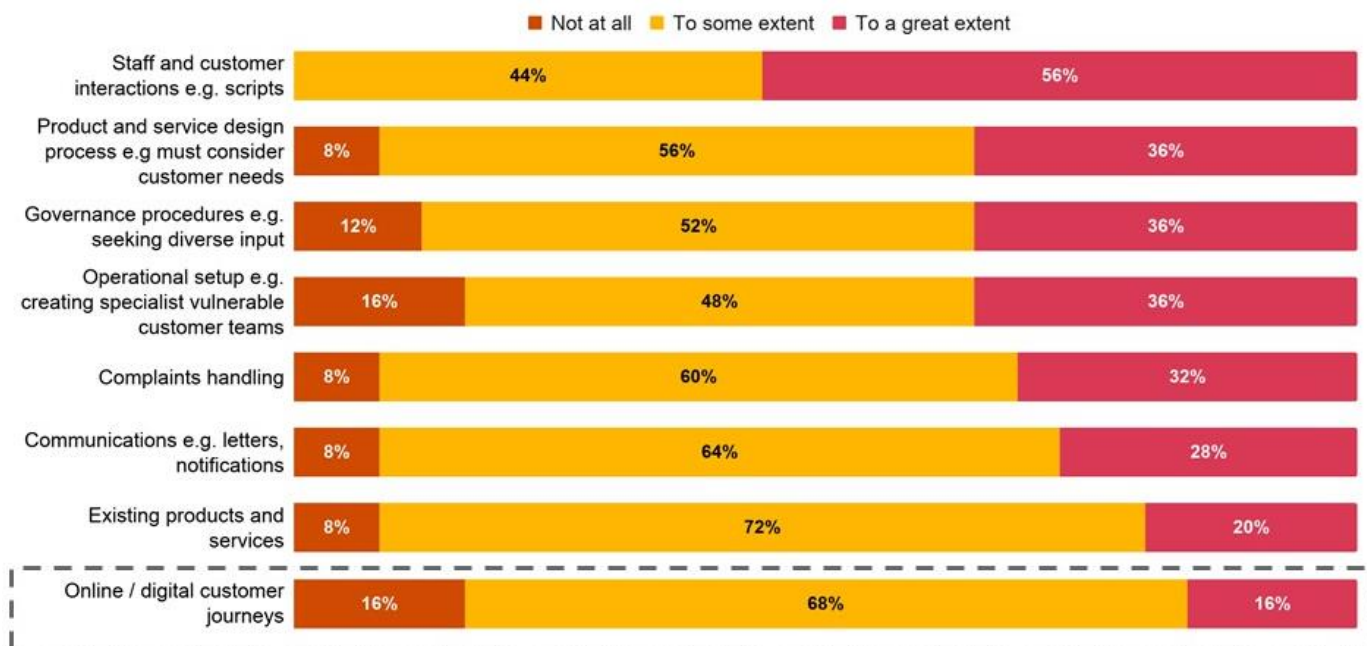
Q3. In the FCA's July 2020 draft guidance, it repositioned vulnerability as a spectrum of risk (moving away from the concepts of potential and actual vulnerability). To what extent has this altered your approach across the following areas? Base: All respondents (23) (Other 2)



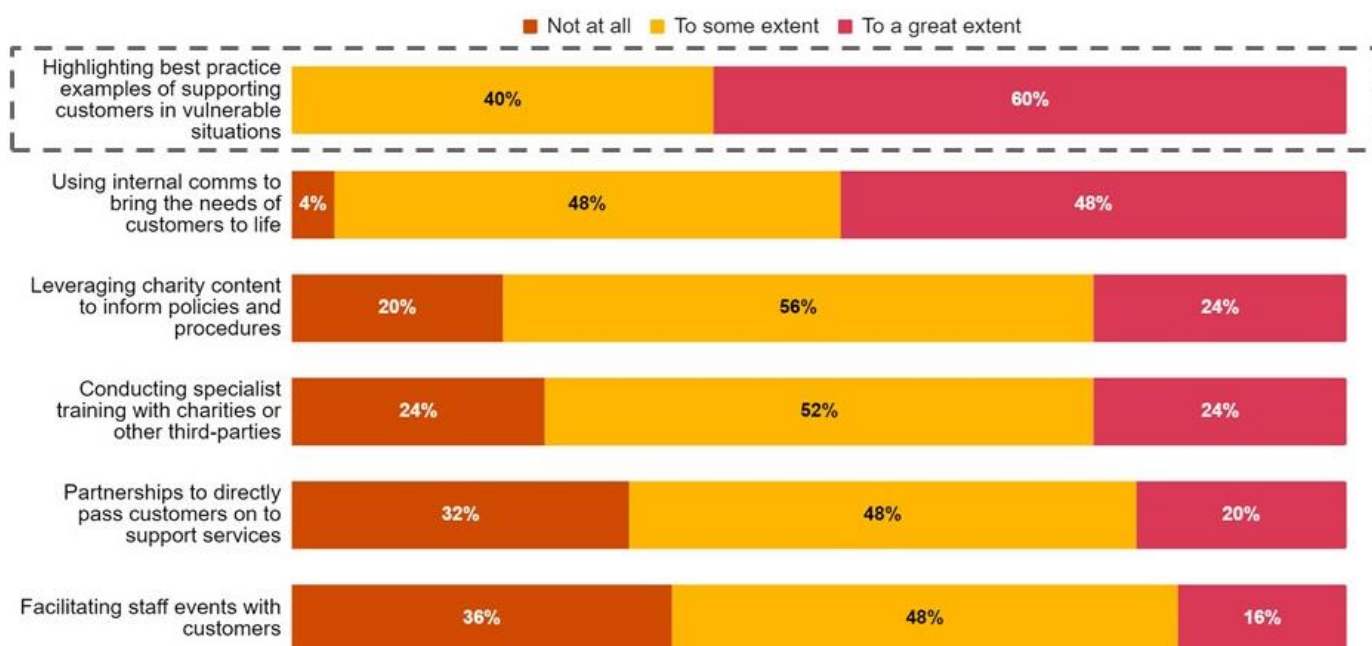
Q4. Please rank the following groups of staff by the level of understanding you believe they have of the prevalent vulnerabilities and/or needs within your target market. Base: All respondents (25)
Note: Index Analysis has been used to review this ranking question. This takes into account the number of times a statement was ranked as well as its ranking position



Q5. Do you use any of the following to encourage customers to share more information about their personal circumstances with you, to improve your understanding of their needs?
 Base: All respondents (13-25) **N/A's have been excluded from this question



Q6. To what extent have you made any changes to the following, as a result of an increased understanding of the vulnerabilities within your customer base.
Base: All respondents (25)



Q7. To what extent do you enhance your staff's understanding of customers' needs by utilising the following. Base: All respondents (25)

Identification and recording of vulnerable customers

The biggest challenge has been the recording the needs of the those customers who we understand to be vulnerable. *(Insurance)*

Potentially all customers are vulnerable so tricky to decide and make sure you capture all those you should. Difficult sometimes to flag and record vulnerability. *(Banking and Lending)*

Digital journeys for new products Keeping records up to date across branch and head office. *(Banking and Lending)*

Management information in relation to vulnerable clients and types of vulnerability to inform guidance and training - systems do not currently allow for the recording of this in a uniform way. *(Wealth Management)*

Focus on retail banking

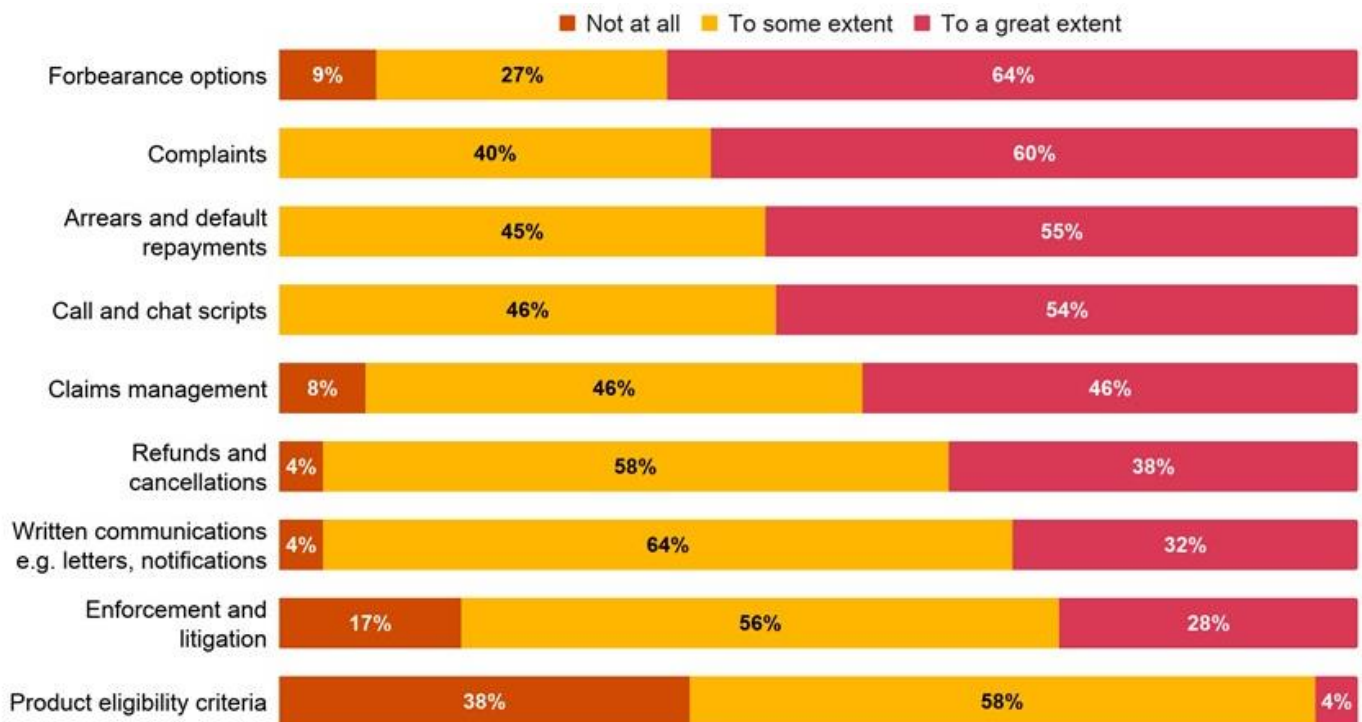
Vague guidance, heavily tilted towards retail banking, credit and insurance sectors. *(Wealth Management)*

We've also found that online training in relation to vulnerable clients seems to be directed at retail banking rather than more wealthy clients which is our client base. *(Wealth Management)*

Organisational Culture

Shifting organisational culture to a place where it is widely understood and bought into that it is the responsibility of every member of staff whose work ultimately impacts the customer to have a laser-like focus on understanding customer needs. *(Banking and Lending)*

Q8. What are the biggest challenges you face in meeting the FCA's expectations on understanding the needs of your customers? Base: All respondents (25)



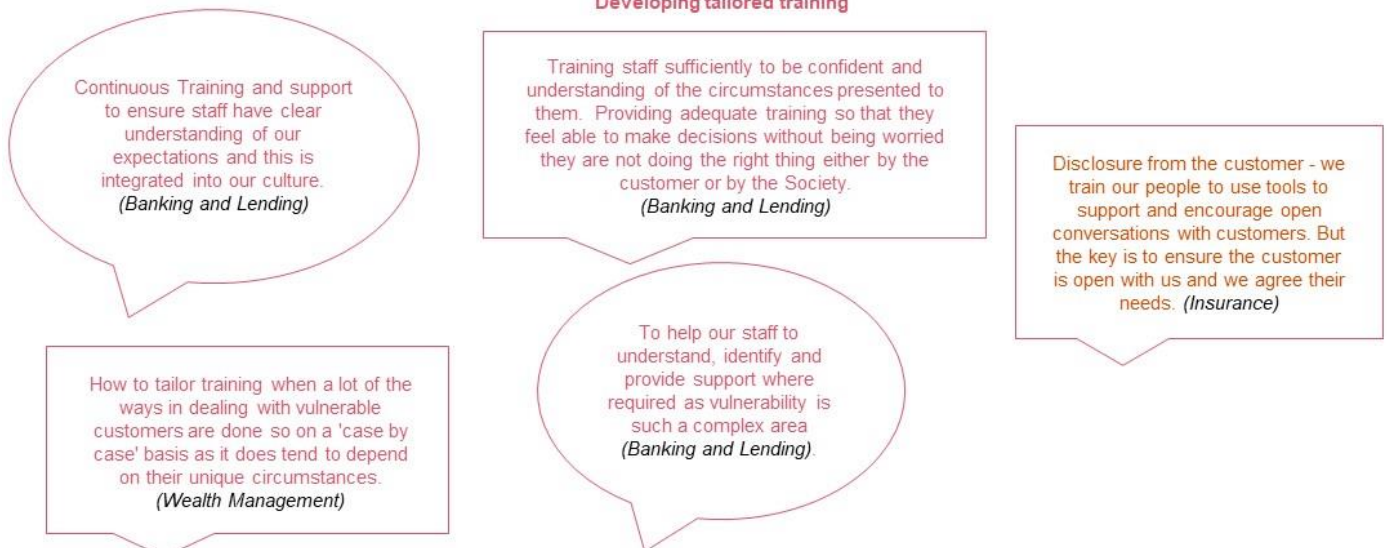
Q9. To what extent do you believe staff feel empowered to provide flexibility, based on customer circumstances, across the following customer interactions. Base: All respondents (13-25)

**NA's have been excluded from this question

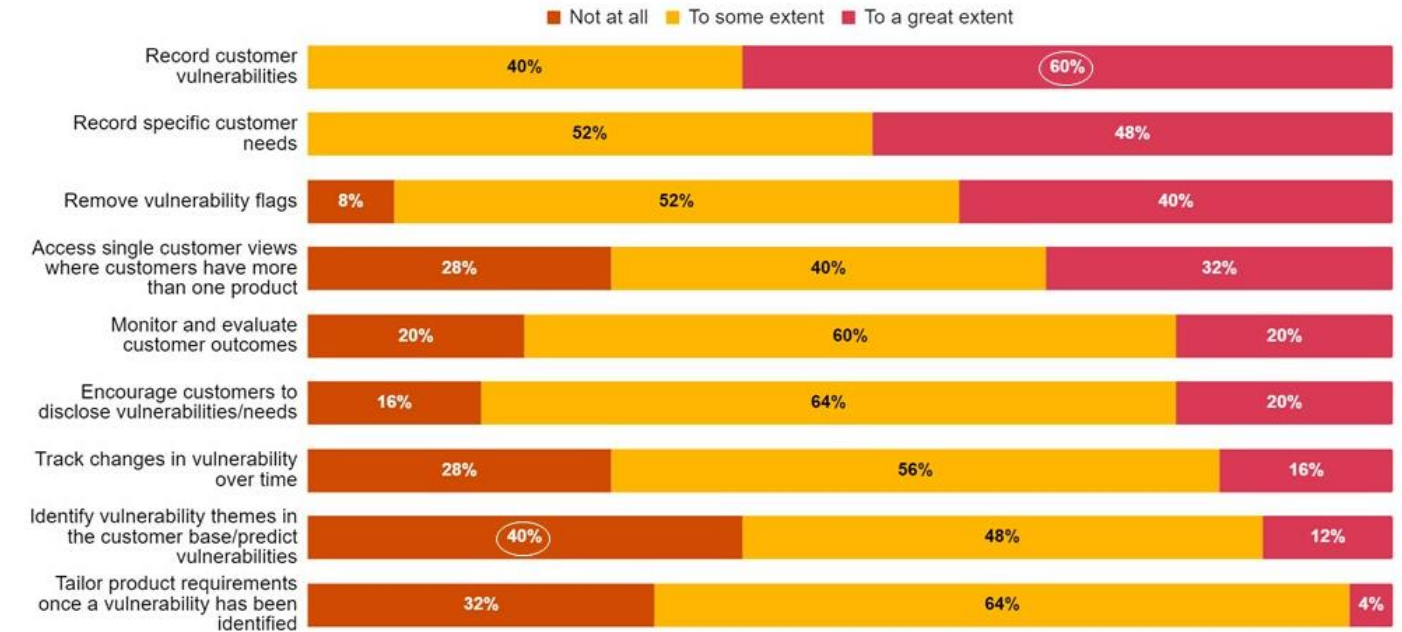


Q10. Please indicate how frequently each group of staff receives training on vulnerable customers. Base: All respondents (7-25) **NA's have been excluded from this question

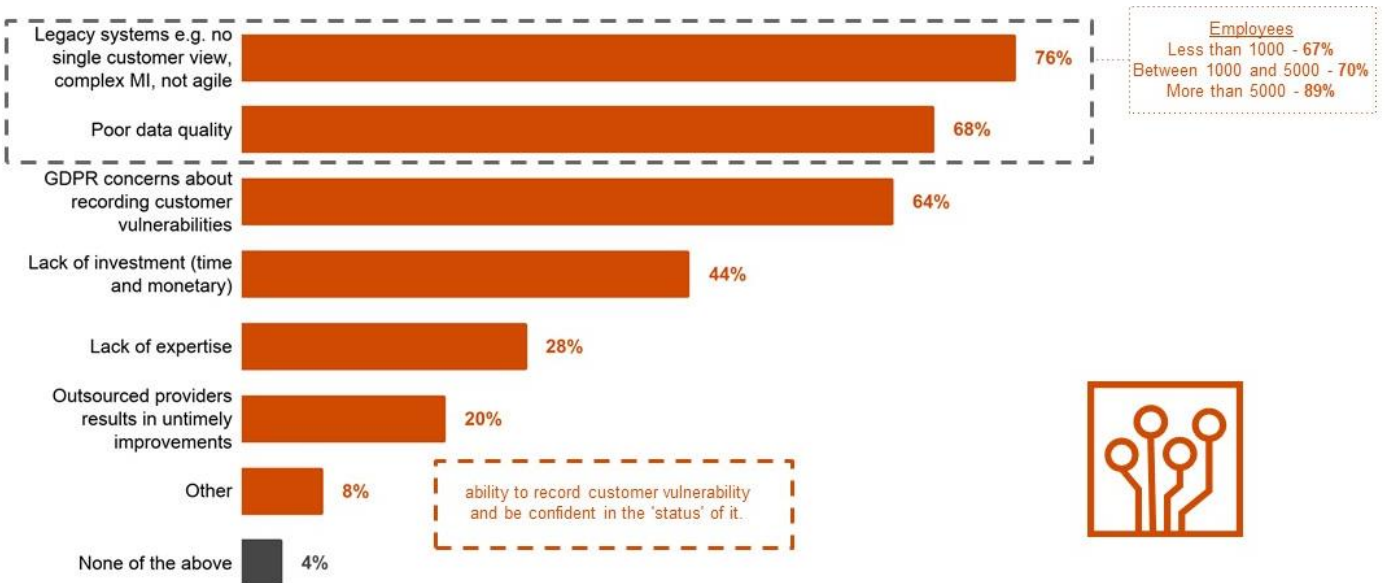
Developing tailored training



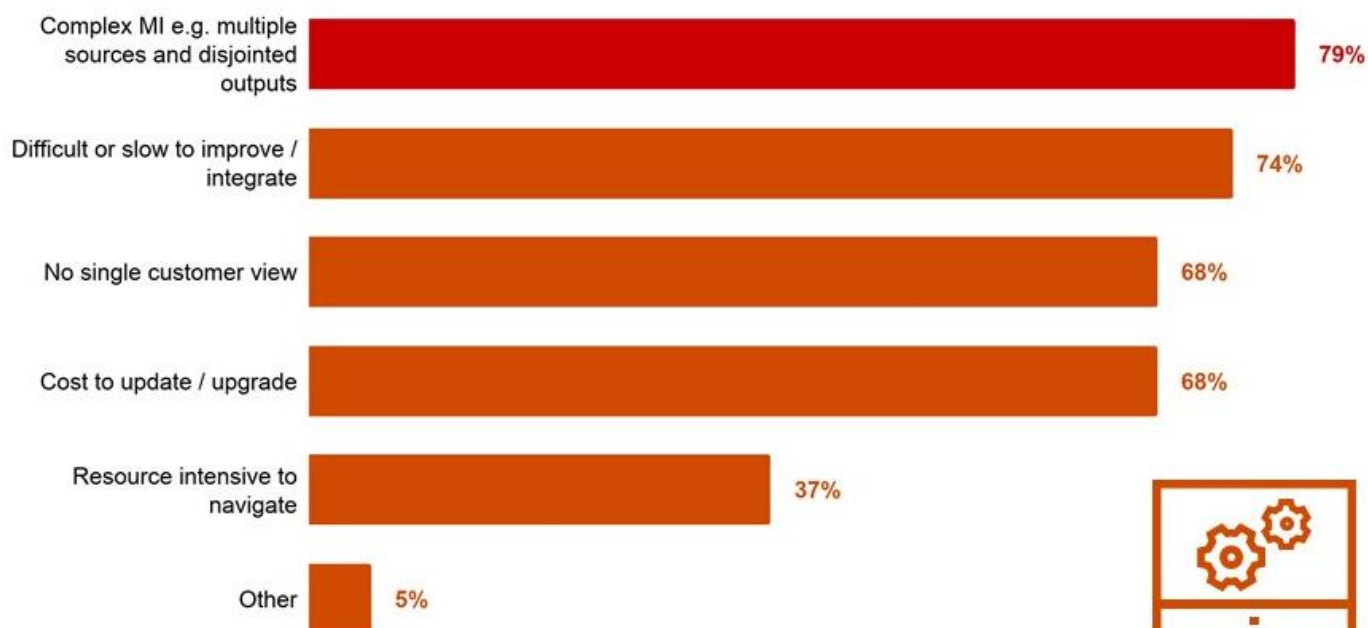
Q11. What are the biggest challenges you face to meet the FCA's expectations on empowering staff to respond to the needs of vulnerable customers?. Base: All respondents (25)



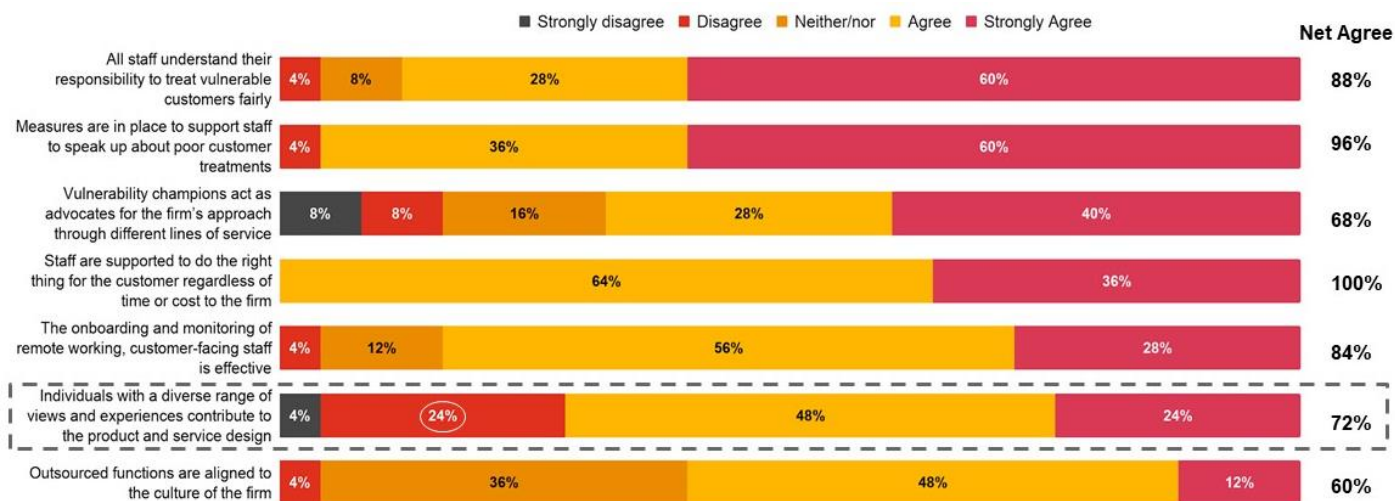
Q12. To what extent does the technology your firm uses support you to... Base: All respondents (25)



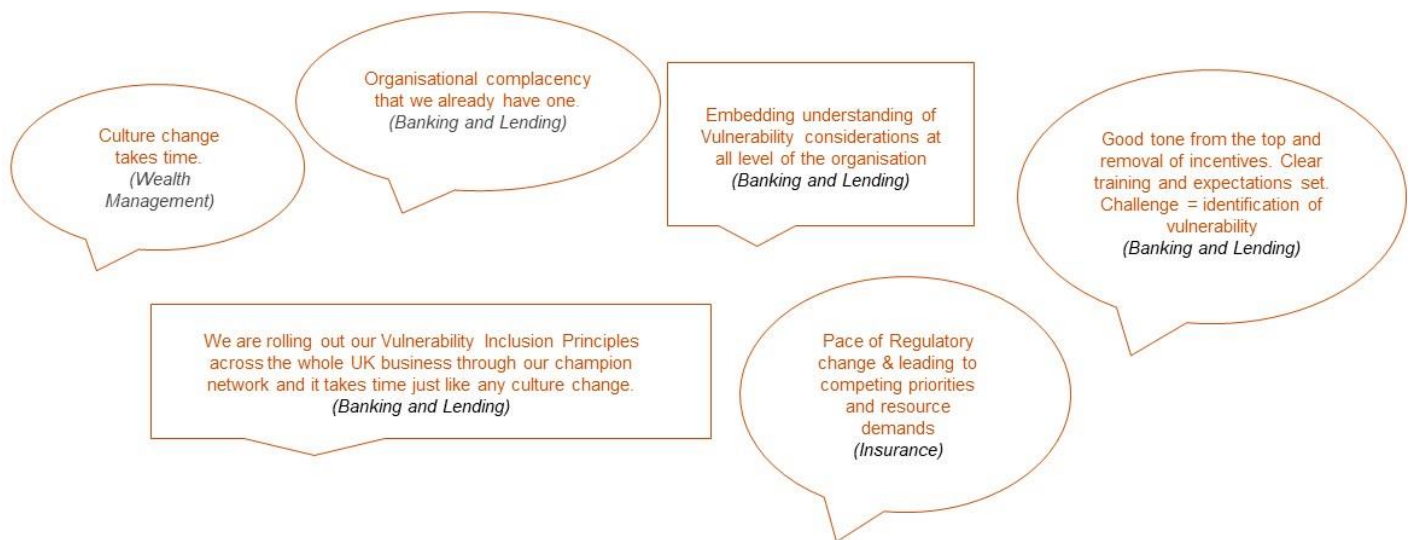
Q13A. Which of the following challenges are you currently facing with respect to utilising technology to support your approach to vulnerable customers? Base: All respondents (25)



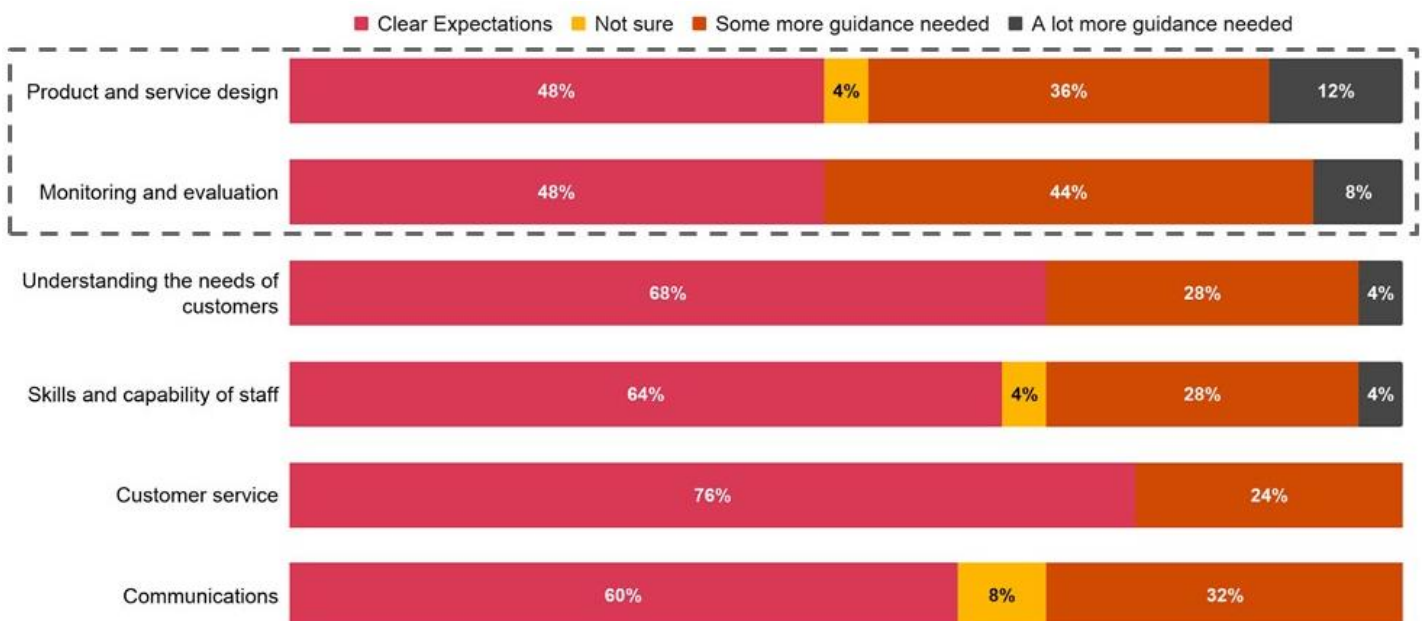
Q13B. In what way are Legacy Systems presenting a challenge? Base: All those who selected 'Legacy Systems' at Q13A (19)



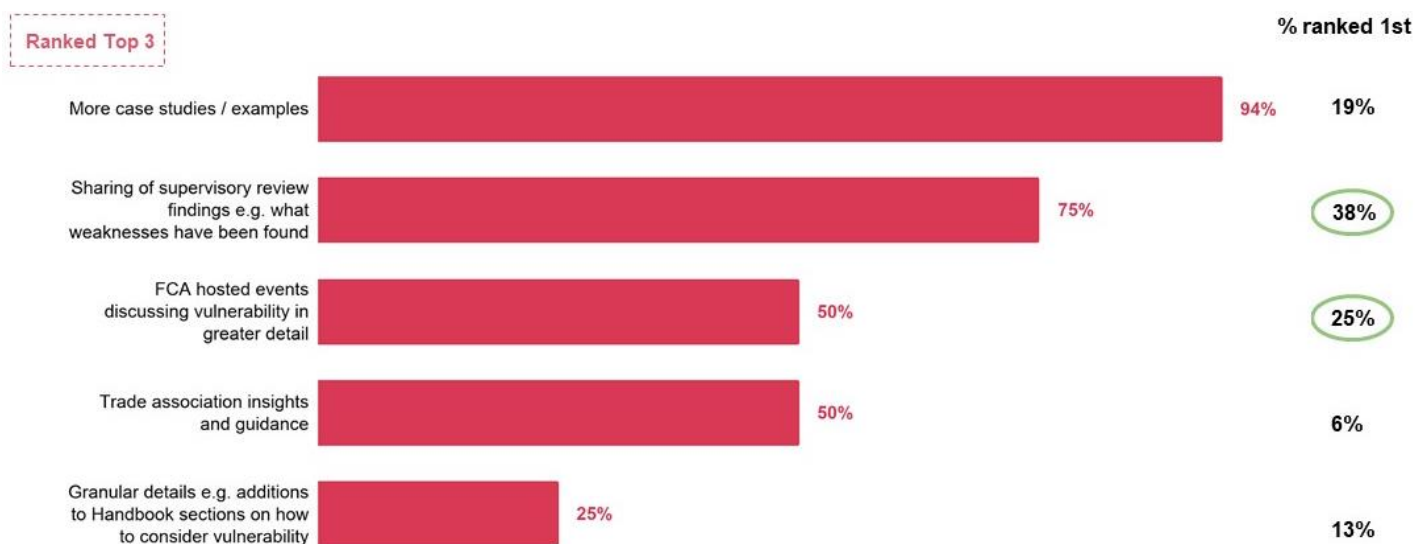
Q14. Please read the following statements and indicate the extent to which you agree or disagree that each has been successfully embedded within your firm. Base: All respondents (25)



Q15. What are the biggest challenges you face in meeting the FCA's expectations on creating a customer-centric culture? Base: All respondents (25)



Q16A. The FCA guidance on customer vulnerability set out expectations in six key areas. Do you feel more guidance is needed for any particular area or are expectations clear? Base: All respondents (25)



Q16B. As you feel more guidance is needed for at least one area, what would be your preferred way to gain more clarity? (Ranked 1-3)
 Base: All respondents who said some or a lot more guidance is needed (16)



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