EY Seren | Growth Re-Imagined

Human Signals: Bridging the Financial Vulnerability Gap

Edition 3, Issue 1

April 2022

In this issue of Human Signals

Understanding financial vulnerability is a preoccupation we all share.
But there's a 'vulnerability gap' to bridge, learning from the human experience.

Customers don't always perceive themselves as vulnerable.

There's currently a limited understanding of the complex behaviours displayed by customers who experience financial vulnerability.

The vulnerability gap

'How do we respond to the challenge of financial vulnerability, learning from, and applying, human insight, to shape better financial experiences that will work for all customers?'

Financial institutions often exclusively focus on the process of meeting the regulatory requirement.

With 'Duty of Care', understanding service design and customer experience needs is now a requirement for businesses.

Everyone – at some point – will walk the tightrope of financial vulnerability

Welcome to our new edition of Human Signals, unpicking how to bridge the vulnerability gap...

- Previous editions of Human Signals have explored the impact of COVID-19 on human behaviour, SMEs and the challenges of sustainability. This edition addresses the highly topical subject of the human experience of financial vulnerability.
- The 'consumer duty' to reduce harm has been on the minds of our financial services organisations since it was first laid out in 2019. As a societal challenge, it has become an even more pressing issue, in the wake of a perfect storm of the COVID-19 pandemic, the cost-of-living crisis and uncertainty over inflation and national insurance rises.
- To be clear, financial vulnerability is a complex issue. It arises from multiple influences and is an amalgam of highly subjective events, where it can feel that 'no case is the same'.
- This issue explores a number of key themes that have arisen from our investigation of the subject with consumers directly affected by financial vulnerability, along with input from internal insights from colleagues working close to the field. Our intention is to provide insights on how organisations can navigate what we call the 'vulnerability gap' and offers some guiding principles for creating services designed to address vulnerability.
- Our research comes from EY Seren's commitment to build a better working world, by thinking beyond short-term returns and creating long-term value.

Human Signals: our rolling research initiative

EY Seren helps organisations achieve growth by serving the needs of people, communities, and the planet.

Human Signals is EY Seren's proprietary thought leadership series, which focuses on the key issues and trends shaping our society from a human-centred research and service design perspective.

If you want to share your opinion or find out more about this research, please let us know.

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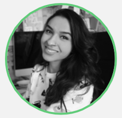

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EY Foreword: on vulnerability

Thoughts from the team…

Peter Neufeld
Partner
Head of FS CX
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'The way we design services can change behaviour. And the more we understand how financial vulnerability manifests itself in everyone's financial life, the more we can do to provide a better outcome across all of the financial experiences and services we design. I believe we can help people recover control and increase financial wellbeing and ultimately help them make better financial choices for themselves and their families by applying real human insight to the design of services and propositions.'

Will Shaw
Strategic Design Director
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EY Seren

'Vulnerability is not about 'other' people. Designing for vulnerability is not an act of altruism. Designing for vulnerability is a necessary part of defining any product or service. If you are designing services that human beings will use, you must design for vulnerability. Not to do so is to deny a fundamental part of human existence.'

Heather Alleyne
Partner
Business Consulting
EY

'A wholesale change in language is needed around vulnerability. We need to stop asking, 'Are you vulnerable?', and start asking, 'Is there anything you need from us to help you with your decision-making?'. The pandemic shone a light on how ubiquitous vulnerability has become. If there's any one area for firms to come together on, it's vulnerability.'

Chris Woolard CBE
Partner
Regulatory Network
EY

'In our lifetime, almost all of us will be vulnerable whether through economic or personal circumstances, and more susceptible to harm. The FCA's new Consumer Duty presents a challenge to do more to prevent that harm and place themselves in their customer's shoes. The new duty is probably the biggest change in retail regulation for a decade and requires both a deeper understanding of how consumers behave in real life and a shift in mindset to think about vulnerability as part of daily life for many consumers collectively, even if it may be an exceptional event for any one individual.'

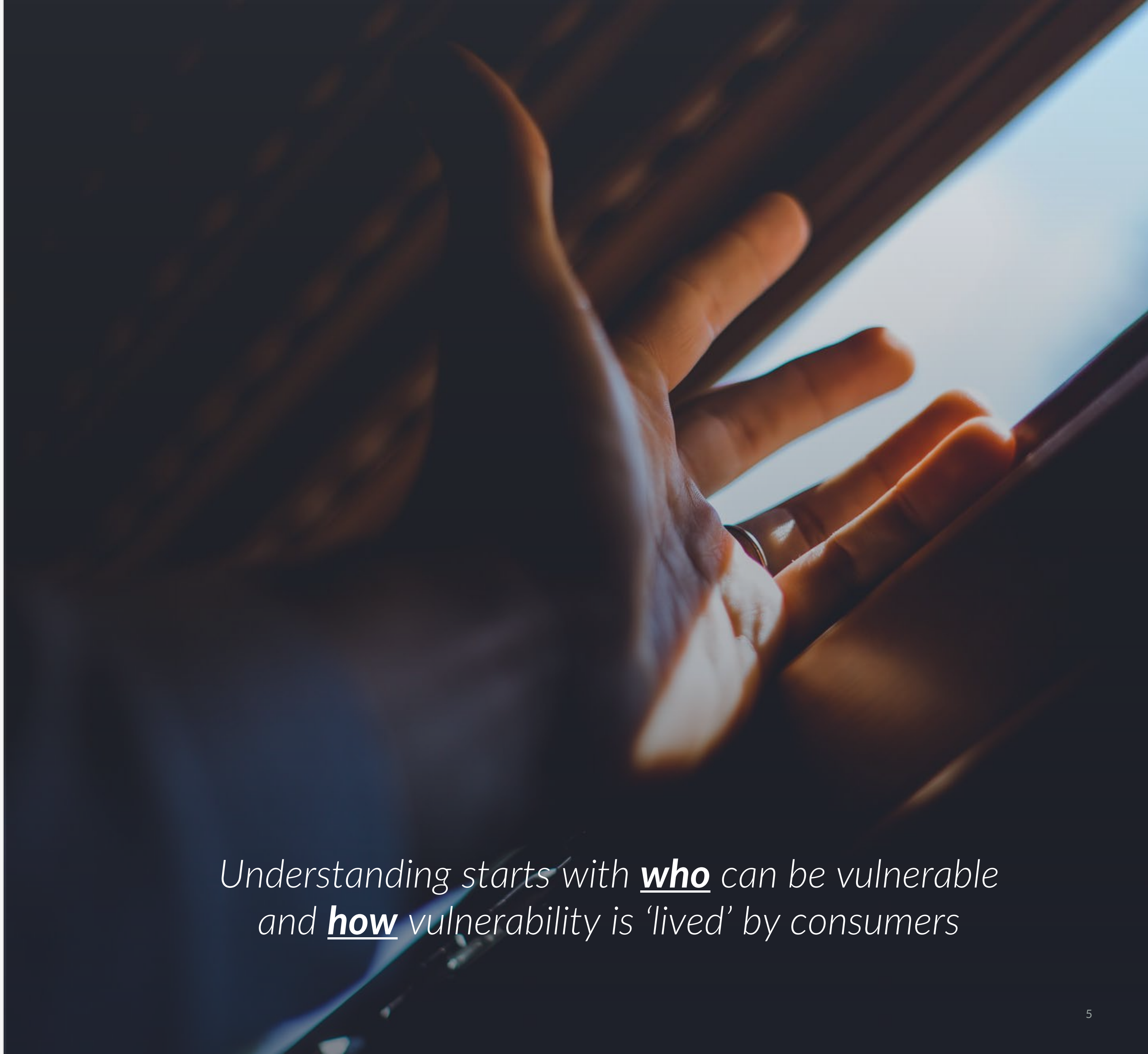
The ‘Consumer Duty’ sets out the task to address vulnerability

The Consumer Duty obligations are well known to businesses across the financial sector.

Bringing Consumer Duty to life to meaningfully to address vulnerability requires us to have a rich understanding of **how vulnerability is lived** and what **kind of principles** are needed to redesign services.

One of the major ‘vulnerability gaps’ we identify is the natural tendency to see **vulnerability as a fixed state** and to relate it almost exclusively with **chronic and ‘marginal’ consumers**.

We argue in this report that vulnerability is, in fact, often dynamic, changing and temporary, and the ‘fluid’ nature of vulnerability presents a much more dynamic ‘moving target’ for businesses.



Equally, Consumer Duty should ask the question, ‘vulnerability to what?’

Vulnerability is, by nature, multi-layered and highly complex, emerging from an array of causes and triggers and manifested to different degrees and levels of frequency.

While it’s essential to understand who is vulnerable and how they experience vulnerability, we believe that a full organisational response should examine **where and what** in the consumer journey **any** vulnerability might exist.

An analogy might be made with the large scale change in provision for people with disabilities that emerged with the Disability Act. We will need to understand both the experience of using a wheelchair, but also to see the staircases and entrances.

We argue in this report that addressing vulnerability will need to ask the question ‘vulnerable to what and where?’, besides the question of ‘who is vulnerable?’.

We believe that rather than just seeing vulnerability as ‘the person’, businesses will need to ask where it happens.

Meanwhile, the future presents further risks… …but opportunities too

Lower barriers to entry may make vulnerability more likely. But dynamic data can help us be more vigilant.

The opening up of the banking sector that brings **lower barriers of entry** for investing and borrowing is likely to present **increased risks** of financially vulnerability for consumers.

Examples are the **growth of non-traditional channels** and products, such as crypto-currency, app-only borrowing and readily accessible ‘buy now, pay later’ products (e.g., Klarna and PayPal Pay in 3). Current concerns about online gambling and its problems – a parallel category where vulnerability has reached a similar point of crisis – offer warnings and learnings to us here.

These same developments, and the potential for shared dynamic data, present a **real opportunity for real-time, responsive innovations** that can help organisations better identify and insulate consumers against vulnerability – and, potentially, allow more ‘eyes and ears’ across financial service providers.

In this report, we discuss how ‘dynamic data’ can help reach over the vulnerability gap.


The research approach:
Get up close to vulnerability

What we've investigated around financial vulnerability

How it happens and how it's lived…

In this edition we explore:

- The financial lives and behaviours of financially vulnerable people
- Experiences of the financially vulnerable with Financial Service Providers (FSPs), the barriers and positive learnings
- The drivers of financial vulnerability
- How the lived experience of vulnerability varies by mindset and archetype
- The opportunities for FSPs for closing the vulnerability gap and meeting the challenges of Consumer Duty

One page overview of sample and approach

A five-stage approach combining desk research, primary consumer research and senior stakeholder input.

Desk Research	Partner Interviews	Consumer Diaries	Face To Face Tasked Interviews	Quantitative Survey
74 literature articles	**6**	**20**	**10**	**1,005**
Extensive trawl of existing literature, category and ex-category sources.	45-minute interview with senior stakeholders working in the financial services field.	Week-long diaries and tasks, exploring the consumer experience of vulnerability.	One-hour interviews with consumers living with financial vulnerability.	Ten-minute online survey sent to a nationally representative sample population. Aimed at establishing experiences of vulnerability and capturing straw man concept feedback.

Meet 10 of the participants from our qualitative research

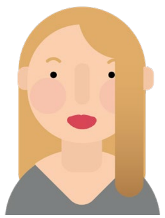
We conducted interviews with a cross section of UK participants over three weeks.

Nancy, 36, Newport
- Bar staff - Hospitality
- £20-29k income
- Zero hours contract
- **Erratic & impulsive purchases caused by ADHD**
- **Struggling to repay IVA**

Steve, 36, Newcastle
- Security Manager
- £20-29k income
- Permanent contract
- **Recovering from gambling addiction**
- **Maxed out credit card**

Niall, 45, Swindon
- Examiner - Education
- £20-29k income
- Freelance/ contract work
- **Serious health issues**
- **Living in fear of another pandemic**

Susan, 42, Liverpool
- Teaching Assistant - Education
- Less than £10k
- Part time
- **Single mother of 3 children**



Olivia, 20, Birmingham
- Student/Bartender
- Less than £10k
- Part time
- **Self-destructive spending habits linked to mental health**

Shanice, 29, Manchester
- Carer - Healthcare
- £20-29k income
- **Has an 18 month old child & is 20 weeks pregnant**

Nigel, 49, London
- Cleaner – Public Sector
- Less than £10k
- **Fearful of having money, can only relax when it has gone**

Henry, 21, London
- Student/Photographer
- £10-19k income
- **Travel costs are taking 1/3 of income**

Tina, 25, Brighton
- Homemaker
- £20-29k income
- **Has a County Court Judgement (CCJ) for debt**

Oliver, 60, Cornwall
- Training & Development Consultant - Education
- £10-19k income
- **Serious health diagnosis**
- **Recent divorce**


Unpacking
financial vulnerability

Historical timeline: the rise of financial vulnerability as a social issue

Financial vulnerability is timeless, but has gathered force over recent decades and hardened in the wake of pandemic.

June 1997
First UK internet banking
UK's first online banking service is launched.

2000s
Cheap credit boom
Banks offering cheap loans or credit with low interest rates.

2008
Global financial crisis
The most serious financial crisis since the Great Depression. Predatory lending targeting low-income homebuyers, excessive risk-taking by global financial institutions, and the bursting of the United States housing bubble.

2010
Austerity
Reduction of social spending and increasing taxation hurt deprived groups the most.

2010s
Gig economy rise
Short term flexible workers are paid on completion of tasks instead of the amount of time they work. As of 2022, 1 in 6 adults in the UK currently work a gig job at least once a week.

2019
FCA guidance consultation released
GC19/3: Guidance for firms on the fair treatment of vulnerable customers.

March 2020
COVID-19 Pandemic
COVID-19 pandemic induced states of vulnerability affecting consumers saving, investing, and spending decisions. Evictions suspended to protect vulnerable renters.

April 2020
FCA Business Plan 2020/21
The FCA Business Plan for 2020/21 is released. One of the key objectives highlighted by the FCA is to ensure "that the most vulnerable are protected."

July 2020
FCA guidance consultation paper released
GC20/3: Guidance consultation and feedback statement Guidance for firms on the fair treatment of vulnerable customers. The FCA note that ***"We expect that more consumers will be in vulnerable circumstances since the onset of coronavirus (COVID-19), and many of those will be newly vulnerable and/or have multiple drivers of vulnerability."***

Financial Lives survey - results
Survey findings: Financial Lives: The experiences of vulnerable consumers.

Furlough scheme
The Government pays 80% of wages up to £2500.00 at 0% cost to employer, in response to COVID-19 pandemic.

Intensified digital exclusion
The coronavirus lockdown has highlighted the UK's digital divide, with only 51% of household earning between £6-10k having home internet access compared to 99% with an income over £40k.

Feb 2021
Financial Lives 2020 survey: the impact of coronavirus
The FCA has released an update on its Financial Lives Survey, now including data on the impacts and experience of COVID-19, based on a COVID-19 panel survey in October 2020 with over 22,000 respondents.

FCA finalised guidance Issued
FG21/1 Guidance for firms on the fair treatment of vulnerable customers published.

May 2021
Ban on evictions ended by government
The ban on evictions was lifted resulting in repossession claims by landlords returning to pre-pandemic levels. 9410 court claims were made against tenants in final quarter of 2021.

Sept 2021
Furlough scheme ended
The Coronavirus Job Retention Scheme, better known as furlough, ended on 30 September 2021.

April 2022
National Insurance increases
1.25% rise to NI.

Utility price inflation
As the cost of living rises for households across Great Britain, growing energy prices disproportionately impact those on lower incomes and at higher risk of vulnerability.

Defining financial vulnerability: it isn't (merely) about precarity

Financial vulnerability is not an absolute or fixed state that consumers have or don't have. It is a relative condition that can occur at any stage during one's life. It can come in ebbs and flows and its impact can be seismic in certain situations and innocuous in others.

While **precarious living** is a common feature of vulnerability, financial vulnerability is not a synonym for poverty. Financial vulnerability is not defined by what you have, or don't have, but by your susceptibility to financial harm. Susceptibility to financial harm is induced by certain behaviours which make an individual more prone to it.

Anyone has the potential to exhibit vulnerable behaviours and anyone can be at risk – vulnerability doesn't discriminate and it doesn't take much for someone to fall into the 'vulnerability category'.

This makes identifying financial vulnerability a tricky task: not everyone who displays characteristics of vulnerability are vulnerable and not everyone who is vulnerable is even aware of their vulnerability.

53% **(27.7 million)**
show characteristics of vulnerability in relation to financial services.

(FCA)

2 million people in the UK are at risk of becoming addicted to gambling or already are.

(The Gambling Addicts – Facts and Statistics)

1 in 3 Brits have less than £600 savings.

(Finder)

People with mental health problems are **3.5 times** more likely to be in problem debt, while **half of all people in problem debt** have a mental health problem.

Each year over **100,000 people** in problem debt attempt to take their own life.

(Money Saving Expert, 2018)

7.25 million people are expected to work in the gig economy by the end of **2022.**

(Department for Business, Energy, Industrial Strategy)

16.4% of adults in England - **7.1 million people -** can be described as having 'very poor literacy skills' .

(National Literacy Trust)

1.9 million households in Britain cannot afford access to the internet (Good Things Foundation) and 9 million people in the UK do not have the foundational skills needed to participate in a digital society.

(Lloyds Bank, 2020)

13% of UK adults say their income changes significantly from month to month.

(Citizens Advice)

54% of global consumers believe their financial situation defines their self-worth.

(Oracle, 2021)

Financial vulnerability isn't a new phenomenon, but it's a growing focus of inquiry

Financial vulnerability research has gained significant traction in recent years. Many organisations have sought to identify the triggers and characteristics of financial vulnerability so as to quantify it, pre-empt it and help embed a culture from one that is reactive to one that is more proactive in reducing harm.

Bank of Ireland

The Financial Wellbeing Index: Health check survey (2022)

- **Every user is given a score between 0-100 and assigned to an archetype based on what score they achieve:**

  1. Struggling (0-39)
  2. Stretched (40-59)
  3. Managing (60-79)
  4. Thriving (80-100)

- **This index is designed to provide a moment-in-time snapshot of a consumer's financial wellbeing**

Capital One

The Vulnerability Inclusion Handbook (2021)

- **69 vulnerabilities**
- **10 key behaviours associated with vulnerability**
- **Vulnerability toolkit underpinned by:**

  1. Simplicity principles
  2. Inclusion workshop kit
  3. Training

Lloyds

The UK Consumer Digital Index: A study of digital and financial lives (2021)

- **A year-on-year report which seeks to understand the digital and financial divide of the UK population**

  1. UK Digital Lives
  2. Digitisation and financial behaviours
  3. Digital attitudes and ambitions

- **The data captured enables Lloyds to identify certain subgroups of consumer (including financially vulnerable consumers).**

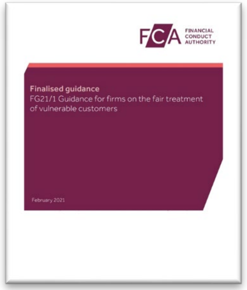
FCA

The Financial Lives Survey (2020)

- **Four key drivers of vulnerability (which intersect and with varying degrees of impact):**

  1. Low resilience
  2. Low capability
  3. Suffering a negative life event
  4. Ongoing health conditions

- **27.7 million (53%) UK adults display at least one of these characteristics of vulnerability**



Experian

Helping identify and pre-empt financial vulnerability (2019)

- **Four factors influencing financial vulnerability:**

  1. Financial exposure
  2. Spending behaviours
  3. Online influence
  4. Lack of advice

- **Identifies data sources (both government and industry data sets) to monitor sliding scale of vulnerability**

Traditionally speaking, there are four main causes of vulnerability…

There are numerous triggers linked with financial vulnerability. Some are more closely associated with our health, whereas others relate to our habits and upbringing. Sudden life events or unexpected changes in circumstances can plunge people into a state of financial vulnerability that most cannot foresee coming or plan for. While it can be hard for an individual to recognise financially vulnerable behaviours, it can be just as difficult to pinpoint the trigger. 16% don't know the cause of their vulnerabilities.

29%

Health Conditions

Financial vulnerability is, and always has been, commonly associated with **health issues** (be it mental and or physical).

Naturally, certain health conditions put people at a disadvantage when it comes to accessing or making sense of their finances, with those living with **disorders** or **disabilities** often overlooked when it comes to service design.

6%

Addiction

While **alcohol**, **drug abuse** and **gambling** are well known triggers of financial vulnerability, there are other less commonly known forms of addiction.

Shopping addiction, for example, is a relatively new concept. Some people buy things to cope with stress. In other cases, purchases might give a sense of euphoria. Addiction is difficult to self-diagnose at times – and people are often in denial or unaware of an addiction.

29%

Education / Upbringing

Not all financial vulnerabilities stem from health. In some cases, it can be a consequence of one's **education** or **upbringing**.

If certain behaviours are not instilled during the formative years then it becomes difficult for consumers to navigate their finances later in life ("***people don't know what they don't know***"). Or worse, they learn detrimental financial behaviours; in the same way positive behaviours can be learnt.

46%

Life Events / Changes

Equally, not all behaviours are deeply rooted in our habits. Other vulnerabilities are a result of a **change in financial circumstances** (e.g. losing a job or loss of earning), **a significant life event** (e.g. bereavement or divorce) or **crime** (e.g. assault or financial fraud).

Similarly, the effects of force majeure have been felt by nearly everyone. **COVID-19** has had far-reaching consequences on people's likelihood to feel financially vulnerable.

NB: The stats shown on this slide are taken from our quantitative research sprint. These indicate the cause of the vulnerable behaviours (as selected by our respondents). In the survey, respondents (for each vulnerable behaviour they have exhibited) to tell us the cause. Respondents were given a range of options to choose from (and were accompanied by some examples by way of definition).

Our research has uncovered 15 behaviours associated with financial vulnerability

Through our desk-based and primary research, we have identified 15 behaviours linked to financial vulnerability. These behaviours fall under five key categories; 'Cognitive', 'Emotional', Engagement', 'Habitual' and 'Experience'. Anywhere between one-in-five and one-in-two have experienced any given category of vulnerability.

51% Cognitive

Understanding

Difficulty understanding financial documentation - be it written or numerical

Processing

Difficulty processing financial information, whether audible, visual or sensory, and making sense of it.

Memory

Difficulty with remembering financial information

Concentration

Difficulty focussing on financial tasks with a tendency to become distracted or disinterested

47% Emotional

Aggrandisement

Difficulty understanding the reality of a financial situation, with a tendency to be overly optimistic about their prospects

Distrust

Difficulty trusting the honesty or intentions of people, service providers or institutions when it comes to money

Resilience

Difficulty controlling emotions and or dealing with financial setbacks

40% Engagement

In-person

Difficulty engaging with finances due to a lack of physical or in-person access when needed

Digital

Difficulty engaging with finances due to a lack of digital or technological capability or access

Organisation

Difficulty engaging with and progressing towards financial goals or sticking to a financial plan, budget or focusing on the financial future

38% Habitual

Physiological

Difficulty resisting urges to buy things they don't need (or can't afford) because of pleasure from making purchases

Mimetic

Difficulty resisting the desire to buy something that others have (e.g. influencers, friends, family, social circles etc.)

Hypodermic syringe

Difficulty resisting the urge to buy something they've seen advertised (e.g. via social media, television, in-store or other)

22% Experience

Inexperience

Difficulty in making confident financial choices due to lack of experience or lack of education

Bad experiences

Difficulty in making confident financial decisions as a result of negative past experiences

NB: The stats shown on this slide are taken from our quantitative research sprint. These indicate the type of vulnerable behaviours that consumers have exhibited (as selected by our respondents). In the survey, respondents were asked to tell us which of the following issues they had experienced in relation to their finances. We purposely did not refer to them as 'vulnerable behaviours' so as to avoid labelling consumers and creating bias. In addition to these answer options, we also included a list of red herring answer codes so as to remove social desirability bias.

Vulnerability generally comes in *three* fluid and dynamic forms

'Vulnerability can come in a range of guises… it is a fluid state that needs a flexible, tailored response from firms.' (FCA)

"*I have autism and ADHD which results in periods of impulse spending or simply forgetting that an email has come through telling me to pay this months credit card. My ADHD makes me very forgetful so raising awareness of the types of conditions vulnerable customers have will be a start in creating a more compassionate society.*"

- Nancy, 36, Newport

These vulnerable behaviours are only felt in certain environments or situations which trigger my exposure.

Chronic

31%
have experienced at least one vulnerable behaviour ***'chronically'***

Contextual

71%
have experienced at least one vulnerable behaviour ***'contextually'***

Sporadic

45%
have experienced at least one vulnerable behaviour ***'sporadically'***

These vulnerable behaviours are something I experience regularly (and have done over the long term).

"*It's a constant battle, it makes me anxious the whole time – how am I getting to work tomorrow? What am I going to eat? I have to juggle what's the most urgent thing this week.*"

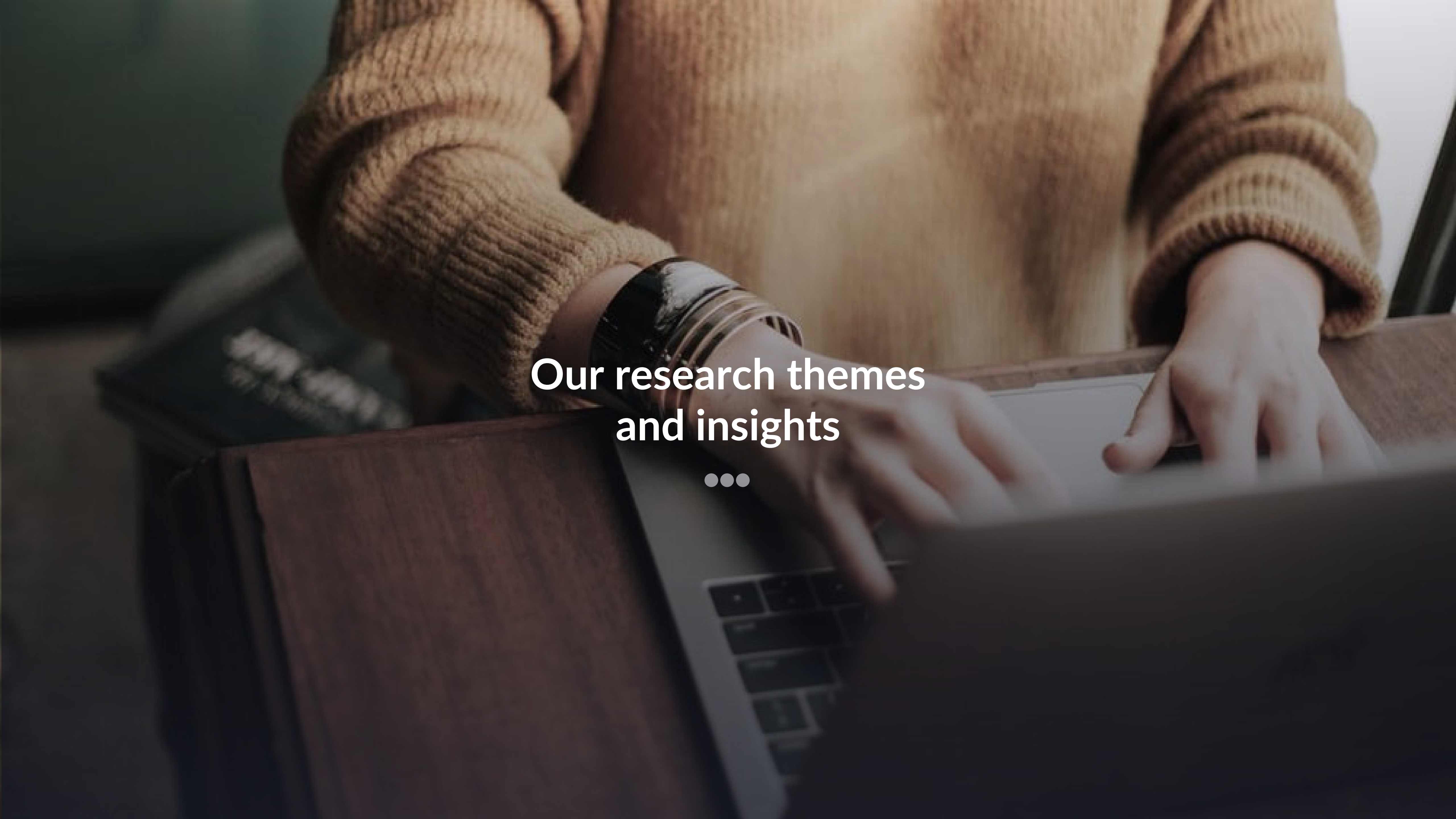
- Nigel, 49, London

These vulnerable behaviours come and go. There are times when I feel the effects of them more than others.

"*I'm on top of it 70% of the time. I have a spreadsheet to keep track, but something unfortunate happens and my life will turn upside down for a week…I will go out and buy everyone drinks, binge eat on a massive takeaway. This happens at least every couple of months.*"

- Olivia, 20, Birmingham

NB: The stats shown on this slide are taken from our quantitative research sprint. These indicate the frequency in which consumers experience vulnerable behaviours. In the survey, respondents were asked to tell us how often they experience any of the behaviours they said they have exhibited.



Our research themes and insights

At a glance: consumer-led themes from our primary research

The primary (quantitative and qualitative) and secondary research we carried out for this issue surfaced a number of insights.

Themes

1 A changing state of vulnerability

Inequality of financial vulnerability
(pg. 23)
- It's important to recognise that financial vulnerability disproportionately affects certain populations more than others. However, demographics should not be the focus for identifying and treating it – behavioural traits should be.

Financial vulnerability is fluid
(pg. 24)
- People are not inherently vulnerable. Anyone can be in a vulnerable situation and it's a dynamic state we can all occupy. For some, it can be persistent.

A cascading cycle of financial vulnerability
(pg. 25)
- Entering one vulnerable situation can trigger a cascade effect, whereby an individual's exposure to other situations of vulnerability can escalate and increase stresses.

A status that's not fixed in hard data
(pg. 26)
- Digital channels aren't dynamic. They don't accommodate changing or temporary states of vulnerability amongst consumers. FSPs need to harness dynamic data.

2 Vulnerability as a lived experience

A lack of trust in financial service providers?
(pg. 28)
- People are reluctant to self-disclose vulnerabilities because they do not trust banks to use the information for their benefit. They anticipate it will be used in the bank's own interest and they fear a loss of control.

A difficulty self-identifying as vulnerable
(pg. 29)
- People may not realize they're entering a state of 'vulnerability' and will therefore be unable to self-disclose this to service providers - placing the onus on service providers to identify those at risk of vulnerability.

Over reliance on human 'eyes and ears'
(pg. 30)
- Financial services organisations are dependent on human frontline staff (e.g. branch or contact centre) to identify vulnerable customers. Current safeguards are imperfect.

3 Where the lines of responsibility blur

Uncertainty around responsibility of care
(pg. 32)
- Designing financial products and services to address vulnerabilities and safeguard customers may risk disempowering them from building their financial responsibility, leading to potential disengagement.

The consumer desire to retain agency
(pg. 33)
- Despite some differences, there is a strong shared belief that consumers need to be the ones shouldering the responsibility when it comes to financial wellbeing.

The hunger for unbiased advice and support
(pg. 34)
- When customers are faced with vulnerabilities in relation to their money, banks are not necessarily the first destination for seeking help. Rather they look to their social circles, comparison sites and specialist sites.

4 Where financial service experiences fails

Shedding light on the consumer FS experience
(pg. 36-41)
- There are a number of key service aspects which make up a consumer's experience with their FSP. Providers need to know which ones are the most important to vulnerable consumers and for what products:

1. Current/savings account
2. Credit card
3. Insurance
4. Pension

The FS experience requires transformation – not patchwork
(pg. 42)
- Providers are not doing enough to meet the needs of their customers across the majority of their service aspects.

Creating a 'listening culture' with action
(pg. 43-47)
- A customer-centric culture is akin to a listening culture. Through a series of interviews, diary studies and survey responses (both open-end and concept feedback), we have identified what it is that consumers want. However, it's essential to not just listen to consumers but to act on this too.

1: A changing state of vulnerability

- Inequality of vulnerability
- Vulnerability is fluid
- A cascading cycle of vulnerability
- A status that's not fixed in hard data

Vulnerability has become a ubiquitous, blanket term where people are either considered vulnerable or not, 'in or out'. While it's important to recognise that certain parts of society are more predisposed to financial vulnerability than others, in reality, everyone can go through it - regardless of financial status, health, capabilities or social background.

There are a lot of questions we should be asking: is this person showing early signs of vulnerability? How did this person become vulnerable? What are they vulnerable to? What tools and support do they need to become less vulnerable?

In this section, we explore the changing, fluid state of financial vulnerability.

A changing state of vulnerability

Inequality of financial vulnerability

It's important to acknowledge that some experience vulnerability more than others.

Financial vulnerability disproportionately affects certain sectors of society, with some demographic groups showing a higher propensity to falling in to a vulnerable state. According to the FCA, the groups most at risk are:

- Those over the age of 75
- Black and Asian ethnic minorities
- Those with irregular income
- Those on zero hours contracts
- Those who are unemployed
- Arrivals in the UK later in life
- Renters

However, herein lies danger. Targeting vulnerability based on certain demographic (or firmographic) data points is an oversimplification of something that is much more nuanced. This can lead to oversight from financial services organisations, whereby potentially millions of vulnerable consumers can 'slip through the net' undetected and spiralling. Organisations need to focus on 'behavioural' traits ('***the what***') rather than '***the who***'.

59%

of vulnerable consumers, or nearly three-fifths, **earn an average household income** – or more

It's not about how much you earn…

31%

of vulnerable customers **have more than £5,000 in savings**

…how much you have in savings…

36%

of vulnerable consumers **are in full-time employment**

Whether you're in full-time work or not…

45%

of vulnerable consumers **are under the age of 45**

Or how old you are…

Implications:

It's important for financial service organisations to recognise that financial vulnerability doesn't affect everyone equally – there are inequalities and imbalances across society. However, focussing on demographic information alone is not the answer to identifying vulnerability and, in turn, remedying it. As our research has discovered, vulnerability doesn't equate to having a low salary. For organisations to become safety nets for vulnerable consumers, they need to expect the unexpected. Vulnerability comes in all shapes and sizes. To effectively deal with it, they need to focus on the behaviours of financial vulnerability.

A changing state of vulnerability

Financial vulnerability is fluid

'Vulnerability' is not a fixed state, it is fluid - and has various forms and causes.

As we've discussed, vulnerability is a state we can all inhabit. Though there are some groups of people that are more susceptible, it can affect us all indiscriminately. Almost everyone has been, is, or is going to be in a state of financial vulnerability at some point in their life.

Some people are born into it; it forms part of their upbringing and, through learnt behaviours, they struggle to get out. Others can become vulnerable at various stages throughout their life (in some cases, there is a slow onset; in others it can happen almost overnight). People with no previous experience of financial difficulty can, as a result of certain triggers (e.g. health conditions, addiction or life events/changes), fall deep in debt, over-spend and make poor financial choices.

For some it is a '**chronic**' ailment that can't be shaken off. For others it can occur '**sporadically**' where it 'comes and goes', or it can occur '**contextually**' where vulnerable behaviours only typically occur in certain settings or environments. To whatever degree vulnerability is experienced, at some point or another, many have noticed an impact on their mental health.

Implications:

Financial service providers must acknowledge the intricacies of vulnerability – everyone's vulnerability manifests in different ways. If organisations fail to recognise this or to embed an '*it could happen to anyone, at anytime, in any way*' mentality, it will remain difficult to prepare for the fall out effect. Financial service providers need to do more to get closer to their customers and to truly understand the precarious nature of financial vulnerability. Ultimately, no one is inherently vulnerable. Humans are complex; they are capable of making great financial decisions on any given day and terrible ones the next.

A cascading cycle of financial vulnerability

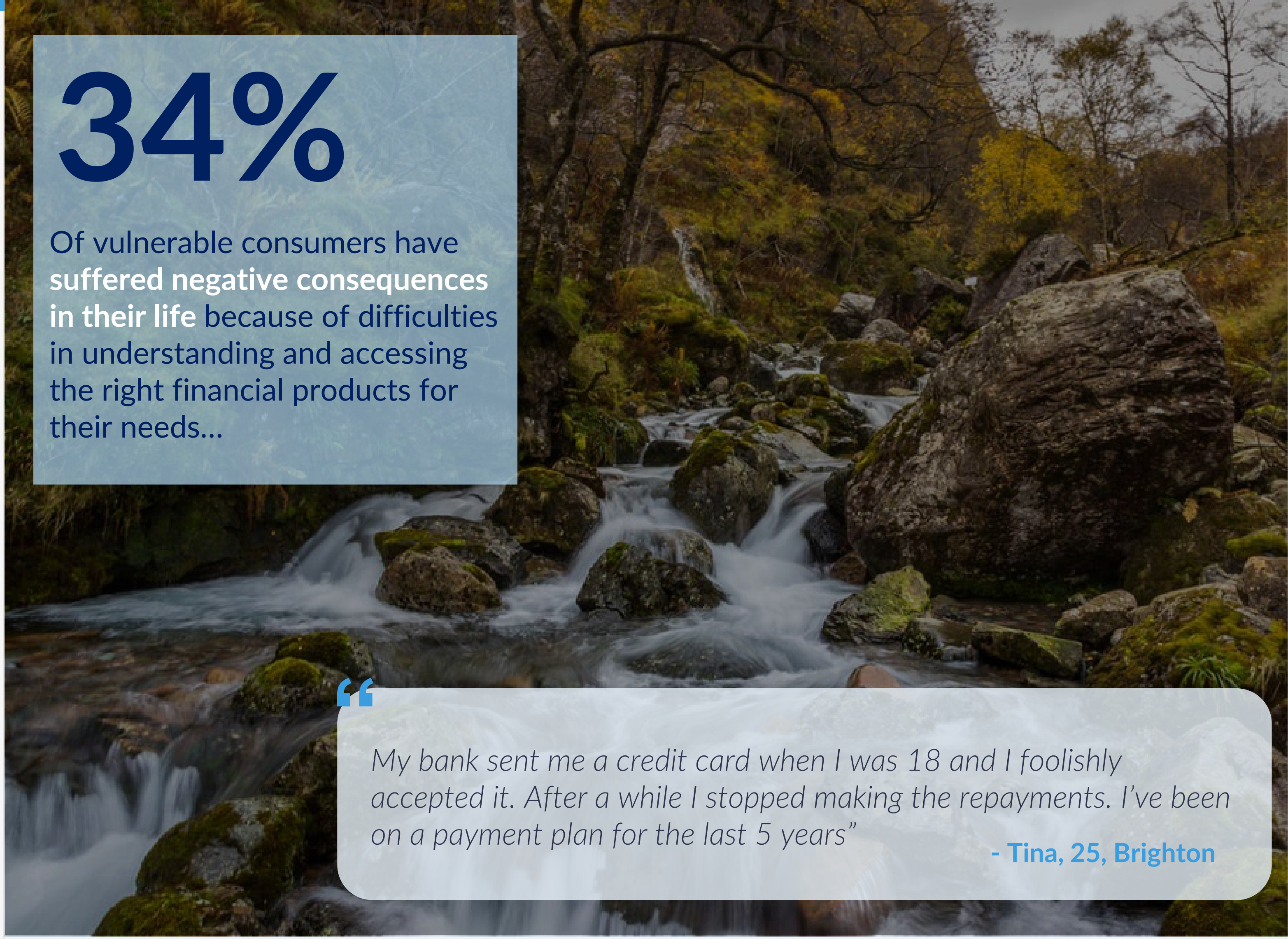
Vulnerability has the potential to snowball. Treating it early can prevent further harm.

It's important to recognise that entering one vulnerable situation can trigger a cascade effect, whereby an individual is soon exposed to other situations of vulnerability.

Vulnerability can appear with varying intensity and persistence. There need to be checks and balances in place that address these signs, to prevent further escalation. For example, those with lower digital skills are more susceptible to online scams or fraud.

If financial service organisations can support those individuals to improve their digital literacy, they are likely to mitigate the 'snowball' effect and reduce the risk of them falling victim to financial crime. Treating the early signs at source can prevent consumers from seeing a snowballing of vulnerability.

However, the fluctuating, dynamic nature of vulnerability means it isn't reflected in 'hard' consumer data – leaving many consumers effectively 'undiagnosed'. The duty to ensure that products and services are understood, appropriate and affordable will require businesses to keep well ahead of this hazardous cycle.



34%

Of vulnerable consumers have **suffered negative consequences in their life** because of difficulties in understanding and accessing the right financial products for their needs…

"My bank sent me a credit card when I was 18 and I foolishly accepted it. After a while I stopped making the repayments. I've been on a payment plan for the last 5 years"

- Tina, 25, Brighton

Implications:

Financial service organisations should be on the look out for signs and patterns of vulnerability and the potential for further hazards; one problem can quickly snowball into another. By treating some of these behaviours at source, providers are also more likely to prevent their customers from walking into further vulnerability traps.

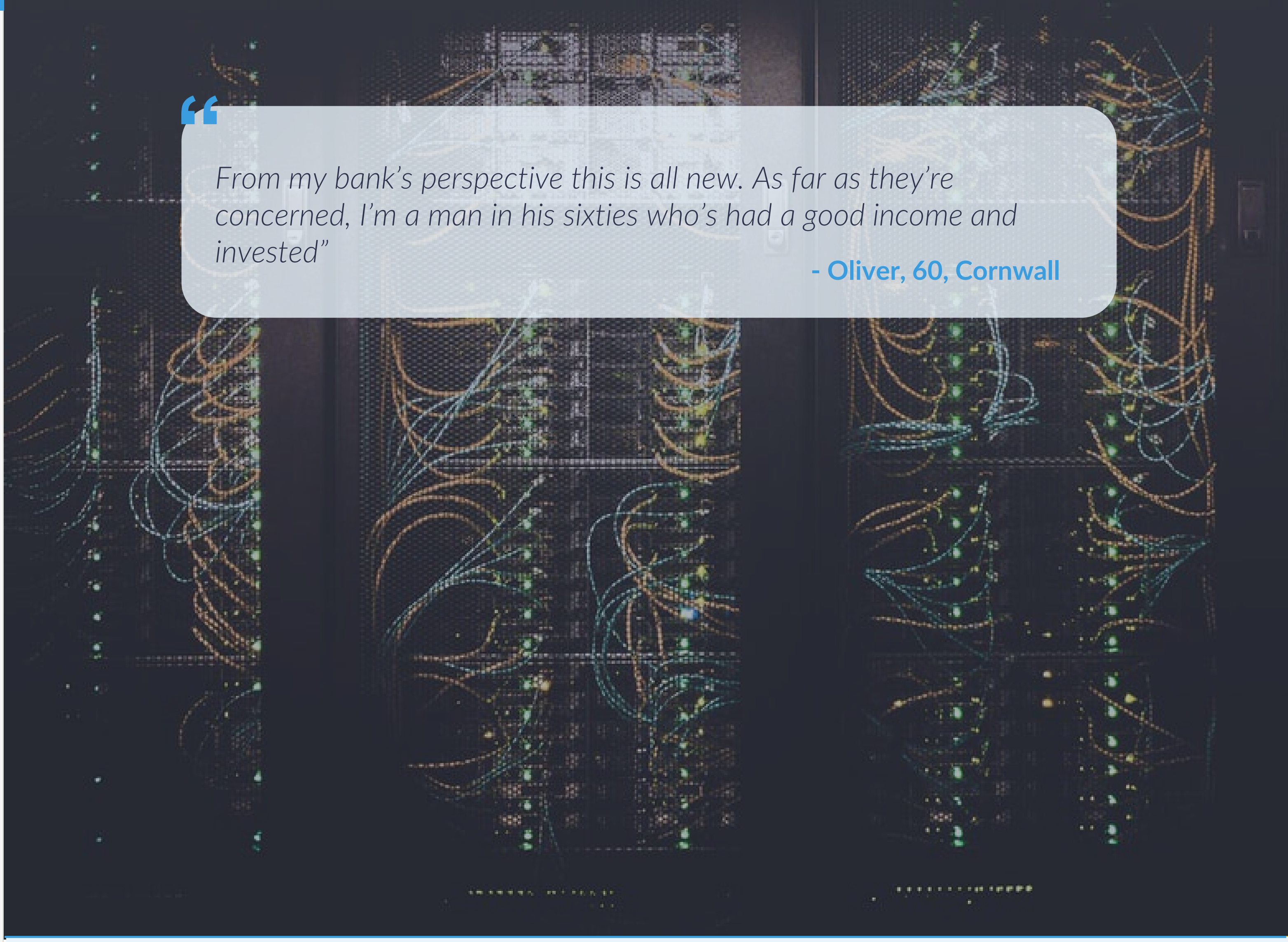
A status that's not fixed in hard data

Vulnerability isn't static. It's dynamic and not always visible within data.

The challenge of vulnerability lies in identifying it. However, it's no good providers identifying it at the 'point of harm' – they need to be able to spot the potential jeopardies several miles away if they are to help their customers more effectively.

As we've discussed though, financially vulnerable behaviours are not necessarily going to be evident in a CRM system or stored on internal data sources. Even if organisations have sight of 'red flags', they're unlikely to account for the dynamic nature of financial vulnerability. It is a difficult thing to capture and not one that financial service organisations can do in isolation.

In recent years, non-traditional data sources have begun to have a more prominent role in creating that holistic picture. Various government data sets (such as Council Tax, HMRC, Universal Credit) could be used in conjunction with industry wide, privately-owned data sets (digital credit, savings and investments, transactions, borrowing etc.) which would enable organisations to be more proactive in determining financial vulnerability.



"From my bank's perspective this is all new. As far as they're concerned, I'm a man in his sixties who's had a good income and invested"

- Oliver, 60, Cornwall

Implications:

As financial vulnerability is ever changing, rather than a fixed state, it means that fixed, 'hard data' is not sufficient to detect it. Digital channels will need to be more dynamic and attuned to 'spotting' potential vulnerability, detecting changed behaviours and unusual activity, moving to identifying customers by how they behave and what they say. This may also necessitate organisations working more closely with one another and governing / regulatory bodies to paint a full picture of financial vulnerability. Embracing data-sharing will allow them to pick up on vulnerability in real time and reduce the risk levels for consumers.

2: Vulnerability as a lived experience

- A lack of trust in FSPs
- The difficulty self-identifying as vulnerable
- Over-relying on human eyes and ears

When consumers find themselves in a state of financial vulnerability, they are not only experiencing the immediate effects of anxiety and hardship that arise from worrying about finances.

Financial vulnerability is not a subject where ‘talking about it’ comes naturally. Being vulnerable is very often a source of social unease and embarrassment – and in some cases shame. Rarely do we meet vulnerable consumers who are confident and determined to fix their problem.

Rather, they tend to be intensely uncomfortable about raising it with financial service providers and peers, and worried about the judgement of others and punitive measures following any self disclosure.

In this section, we explore the barriers faced by vulnerable consumers that hinder them

Vulnerability as a lived experience

A lack of trust in Financial Service Providers

Distrust of FSP motives and the 'Inferiority Complex'.

For many financially vulnerable consumers, there's a layer of **distrust towards financial service providers.** They are not necessarily the first port of call when it comes to getting support for problems.

Many voice an instinctive distrust of companies who some can see as the origin of their difficulties: '***they didn't have my best interests at heart then, why would they now***?' While others feel that disclosing vulnerability won't change anything, some fear it might expose them to **even more sanctions and judgement**.

Some also hold a belief that their lack of assets and individual case would make them **innately unworthy of any attention** - precisely because they are not lucrative customers: ***'They won't help me – I'm small fry'***. Similarly, some feel that banks 'just want their money back' and aren't interested in better experiences.

At the most extreme, a portion of people feel that financial service providers even **welcome failure** ('they want you to fail') and would not gain from a customer coming out of a crisis.

Implications:

Distrust about 'coming out' to financial service providers and an 'inferiority complex' about being financial vulnerable means that FSPs will need to really reassure consumers about the sincerity of their motives and the safety they can offer consumers. The idea that lenders want them to fail and will punish them if they raise their voices is a barrier that needs to be challenged.

A difficulty self-identifying as vulnerable

A tendency to act only after the point of collision.

Besides fears of further negative consequences, financially vulnerable consumers often 'sit tight' and 'suffer in silence', rather than reach out for support from FSPs.

For most, **awareness of support from banks is low** and few see options to 'self-report 'difficulties that don't involve **tense, personal interactions** with staff over the phone or in branch. Instead charities, CAB and debt-support platforms are nearly always considered before considering turning to FSPs.

Hence many tend to be reactive, and only find out about FSP payment plans, advice or support after problems escalate at the **'point of collision'**.

An even more marginal proportion don't come forward because they **aren't aware they are vulnerable** – seeing difficulties as a fact of life or a 'given'.

> *I hate having to ask people for money so I just keep my situation to myself – I go into my own shell a bit. It's a horrible situation to be in.*
>
> **- Nigel, 49, London**

52%

either '**do not agree**' or are '**not sure**' that the behaviours they've experienced make them financially vulnerable

...but 46%

believe that **their behaviours** put them at risk when making financial decisions

Implications:

Consumers have low awareness of the support options available to them when they are dealing with vulnerability and, assuming the worst, tend to wait for the 'point of collision'. Greater transparency about the possible pathways they can take when difficulties arise can help avoid problems snowballing. Offering less socially challenging channels can also help address fears about coming forward.

Vulnerability as a lived experience

Over-reliance on human 'eyes and ears'

Relying on human judgement and just 'listening' alone is not enough.

On occasions where vulnerable customers have engaged with financial service providers about their situation, this has come from the **initiative of an empathetic member of staff on the front line**, in branch or over the phone. Positive experiences are closely recalled but often described as 'the exception, not the rule'.

This goes beyond **'tea and sympathy'** – the most meaningful experiences have naturally been where staff have been able to be **flexible and offer constructive, adaptive solutions**.

Empathy is widely felt to be absent from the experience with digital channels. Despite their speed and convenience, the encounter can vary day to day - and by product and provider.

Crucially, the reliance on 'human eyes and ears' alone and limited data sharing presents a weakness, leaving vulnerable consumers to fall through the cracks – especially where 'face to face' is not a comfortable channel for customers.

"I spoke to a really nice lady on Tuesday about a payment plan. And on Wednesday I spoke to the credit card people and it was 'No, no, no'"

- Shanice, 29, Manchester

4 in 10

vulnerable consumers in our survey feel a sense of shame when talking about their finances.

Implications:

While 'empathetic' customer interactions can allow vulnerability to be spotted, it's important that empathy is not just understood as 'listening' or 'tea and sympathy', but about constructive, adaptive solutions. In digital channels, there's a real opportunity to bring 'eyes and ears' to the experience – but equally, a need for meaningful solutions.

3: Where the lines of responsibility blur

- Uncertainty around responsibility for care
- The desire to retain agency
- The hunger for unbiased advice

While financial choices ultimately rest upon the shoulders of the consumer, providers have a responsibility to empower better decision-making; creating an environment where they can thrive and achieve more positive outcomes.

But how much support is enough?

At present, consumer distrust and the feeling that service providers may not have their best interests at heart creates an ‘us’ vs. ‘them’ mentality. Customers can be wary of seeking out for help and support. Others blame themselves.

Financial firms have an opportunity to win more trust among vulnerable consumers. But determining how much responsibility and how ‘hands on’ to be is a complex moral question.

In this section, we explore the blurred lines between consumer and provider responsibility

Where the lines of responsibility blur

Uncertainty around responsibility for care

Consumers aren't unanimous in where responsibility lies…

For financially vulnerable consumers, the question of responsibility for their predicament, and who is responsible for getting them out of it, is often very subjective.

While a portion feel they are 'victims' of financial service providers (e.g. mis-selling or poor service), others see themselves as personally responsible.

We see a similar divergence when it comes to the idea of FSPs helping to address vulnerabilities. Some seek direction and support from a paternal 'co-pilot'; others wish only to be empowered and upskilled to fix their problems themselves. *Too much* paternalism could undermine desires for independence and mastery; too much 'laissez faire' could risk leaving customers open to more vulnerability or entirely disengaged.

Ultimately, providers will need to make a **judgement call** on how directive / 'paternal' or 'laissez faire' they are willing to be, and how consistent they plan to be. A situation where one part of the bank is wellbeing-focussed but another part is adversarial and punitive will create issues. Businesses will have to draw their lines of responsibility and stick to them across marketing, customer service, comms and collections.

33%

of vulnerable consumers do not feel that they are more responsible for their financial wellbeing than their financial providers…

> *"Is it all my fault? I feel like my bank preyed upon me when I was younger- there's no way I'd get a credit card, knowing what I do now!"*
>
> **- Susan, 42, Liverpool**

Implications:

Ultimately, financial service providers will need to make a judgement call on how 'laissez faire' or 'paternal' they wish to be, and determine where their line between customer and FSP responsibility lies. Given the different levels of support that vulnerable customers seek (some want a co-pilot, others just to be empowered), the ideal is for flexible, personalised 'care'.

The consumer desire to retain agency

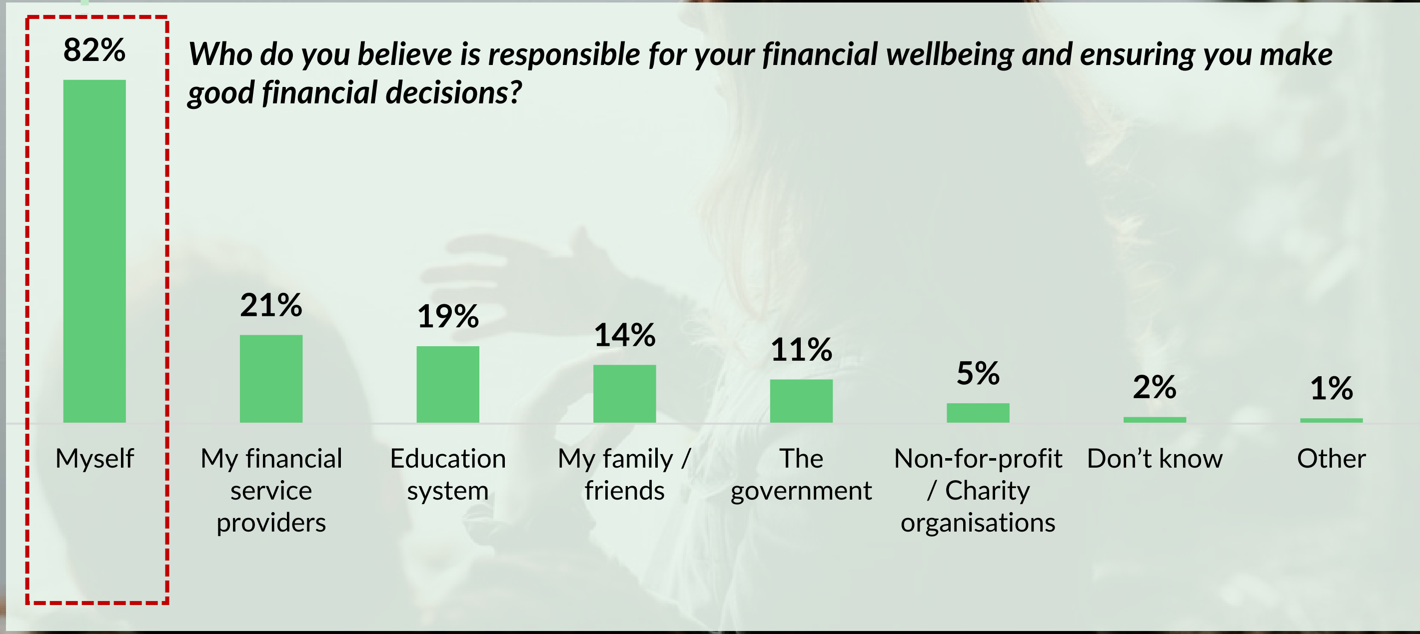
Vulnerable consumers still expect to 'carry the can'.

Despite differences among vulnerable consumers over who they feel is 'responsible' for the situation that they are in and how it happened, there is a strong shared belief that they themselves will take play lead role to play in restoring their financial wellbeing.

This comes amid recognition that 'denying' or 'hiding your head in the sand' is not sustainable and a major source of stress and worry. For most too, there's a basic sense that 'I need to fix this' or that 'it rests with me'. When given a series of options to pick from, the overwhelming majority (82%) felt that they were responsible for their financial wellbeing and for ensuring good financial decisions.

However, in practice, this means being given the tools and support to deal with problems, and being made aware of all the support that might be available to them. For the least equipped, this means education and greater self-control. For others, it's about coaching and encouraging positive behaviours. Regardless of the form, they all want feel in control.

> *"It is not their [the provider's] responsibility - the individual must decide and deal with their finances...but they need also need to let me know my options."*
>
> **Male, 34-44, Yorkshire**



Implications:

However much support or guidance vulnerable consumers seek, it's important to respect their desire for agency and control. At heart, consumers believe they have responsibility for change. Empowering them is likely to make for better outcomes than simply 'marshalling' or 'policing' them.

Where the lines of responsibility blur

A hunger for ‘neutral’ advice and support

Consumers crave trustworthy guidance - and rarely turn to their lender first.

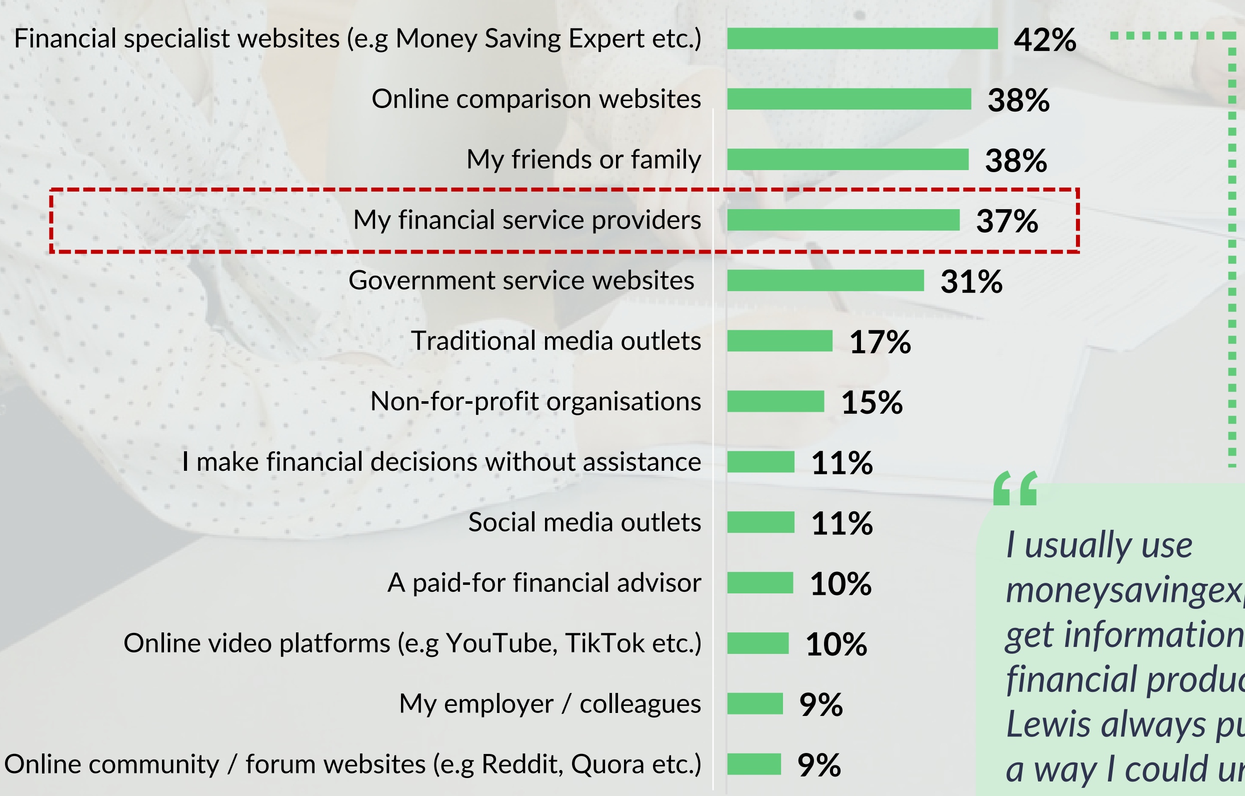
Another ‘blurred line’ for vulnerable consumers is around the question of who to trust to provide advice and support.

For most of the consumers we spoke to, financial service providers were not usually the first port of call when it came to information, guidance and support on finances.

Instead, they tended to engage first with advice from financial specialist websites, financial advice forums, comparison sites and friends or family. In other cases they sought out not-for-profit organisations such as Citizen’s Advice or charities.

The hesitation about approaching providers arises from a **low level lack of trust and fear of consequences**. For many more though, it is down to **low visibility and low awareness of non-judgemental support** – they were unaware of facilities, payment plans and support, and only found about these after ‘the point of collision’. A common refrain is: *‘I wish I’d known earlier about this’*.

Who or what you would you consider to be your main sources of information when researching or looking for help with you finances (select your top 3)…



“I usually use moneysavingexpert.com to get information on financial products. Martin Lewis always put things in a way I could understand”

- Male, 45-54, West Midlands

Implications:

There is a strong appetite for trustworthy support and advice amongst vulnerable consumers, but a striking lack of awareness of what is available from lenders and a tendency to go elsewhere.

Consumers are broadly open to support from their lenders, but will need greater visibility and early awareness of it - rather than having to wait for the ‘point of collision’.

4: Where financial service experiences are failing

- Shedding light on the consumer FS experience
- The FS experience: transformation, not patchwork
- Creating a 'listening culture' with action

Financial service providers design products and services with their customers in mind but with the assumption, historically speaking, that their consumers are 'normal' and fit a certain 'mould'.

In reality, there is no normal. There is no 'one size fits all' approach to service design; humans are complex and nuanced, whose needs vary one from person to the next.

While some financial service organisations are leading on inclusive design for vulnerability, others are lagging behind. Underperforming providers have a surface understanding of functional needs. Successful providers have a rich and nuanced understanding of the human goals, motivations, attitudes, needs and behaviours of their customers - which enables them to design products, services and experience that align with those needs

In this section, we explore consumer assessments of financial providers and products when facing vulnerability.

Where financial service experiences are failing

Shedding light on the consumer FS experience (1/2)

There are 8 key service aspects of a financial service provider's offering.

Vulnerability is most often experienced at the point of interface, or interaction, with financial service providers. This is because the key service aspects of a financial provider, as we've discussed in 'Blurred Lines of Responsibility', often do not cater to consumer needs well enough to instil good decision-making practices and or confident choices.

Through our desk-based research, and in consultation with our SMRs and vulnerable participants, we have identified eight key service attributes that are fundamental to a vulnerable consumer's financial service experience. Underperformance or service failure in any one of these spaces may actively create vulnerability:

1. **The products / services and the functionality of the tools (as well as the associated price and value)**
2. **Operative features such as communications, customer service and availability**
3. **Emotional support mechanisms such as financial well-being and empathy.**

Products and services

They provide or sell services / products specifically tailored to my financial needs, experiences and history

Communications

They provide clear and easy to understand comms and I receive the right number of them

Financial wellbeing

They provide services which help me improve my financial decision-making and help me feel more at ease with my finances

Functionality

They provide a range of tools / features that are easy to use and are tailored to my needs

The financial service experience

Empathy

They demonstrate that they understand and respond to my emotional needs

Price and value

The cost of the products and services they provide me represent fair value and are affordable for people like me

Customer service

Customer service agents understand my needs and act in my best interests

Availability

I can access / interact with them digitally via app / platform, physically via branch / in-store or contact centre via phone / email / webchat whenever I need to and in the way that I want to

Where financial service experiences are failing

Shedding light on the consumer FS experience (2/2)

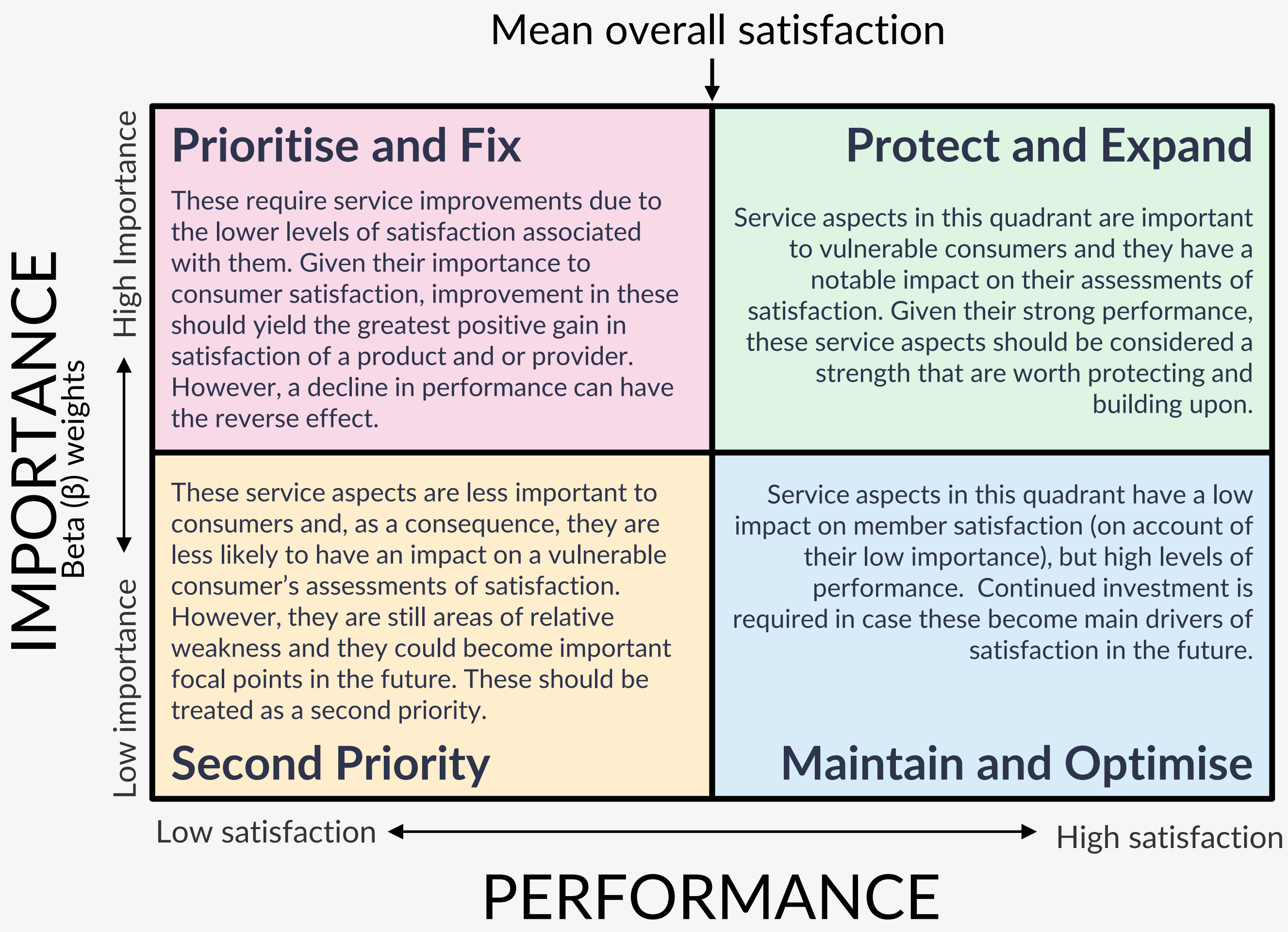
The experience varies – some providers / products are doing it better than others.

During our quantitative research phase, we developed a series of survey questions based on those key service aspects to help gauge the financial service experience through the eyes of vulnerable consumers.

Using a Key Driver Analysis (KDA) we have created a model of satisfaction centred around those service aspects. This has helped us to determine three key insights in relation to a vulnerable customer's experiences:

1. **Overall satisfaction with meeting their needs** (at product level)
2. **What are the most important drivers of satisfaction** (at product level)
3. **How well are these drivers performing** (at product level)

By understanding these key data points, financial service providers will be able to identify the areas for improvement, while also identifying the areas that are performing well amongst vulnerable consumers.



Implications:

Plotting the performance and importance of each service aspect in the chart above gives us a view of which aspects are performing well and what financial service organisations need to improve. By overlaying this with a view of importance, we can understand what service areas will be need to be prioritised, maintained and protected.

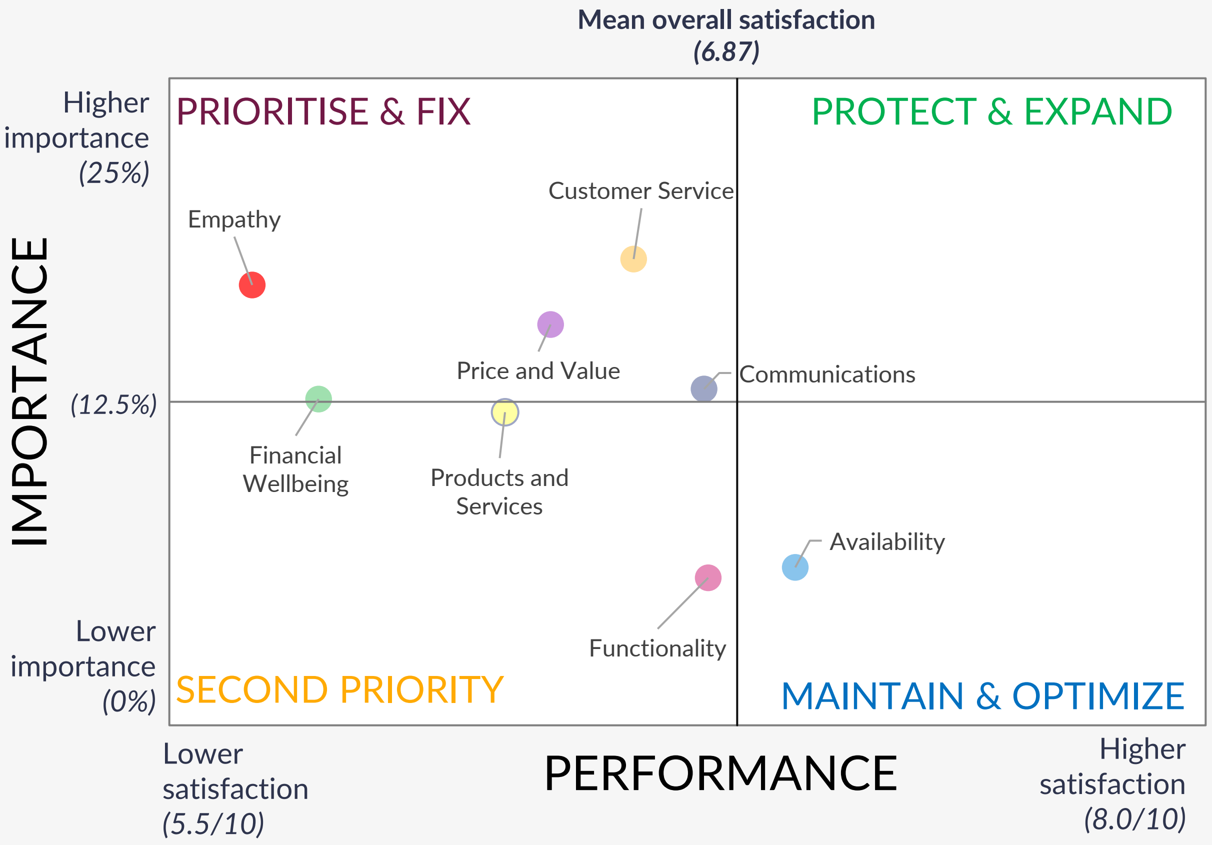
Beta Score Regression underpins our KDA. Our model explains 40% of the variability in overall satisfaction and should be considered directional. However, the findings *directionally* indicate the focus areas for FS providers.

Where financial service experiences are failing

Current / savings account

93% of the vulnerable consumers we spoke to said they have a current / savings account. Given how commonplace these products are, banks will need be extra vigilant of and aware to the varying needs of these vulnerable consumers. When it comes to these products, consumers place a fairly high emphasis on a wide range of service aspects.

Key Service Aspects	Importance	Performance
Products and services	12.1%	6.31
Functionality	5.7%	6.80
Price and value	15.5%	6.42
Customer service	18.0%	6.62
Availability	6.1%	7.01
Empathy	17.0%	5.70
Financial wellbeing	12.6%	5.86
Communications	13.0%	6.79



Implications: w

'**Empathy**' and '**financial Wellbeing**' are the weakest performing drivers which would indicate that providers are not currently doing enough to understand their vulnerable consumers' emotional needs or to support them in making better financial decisions. Given their high importance, these should be a focal point for providers. '**Price and value**', '**customer service**' and '**communications**' should also be considered high priorities by retail banks.

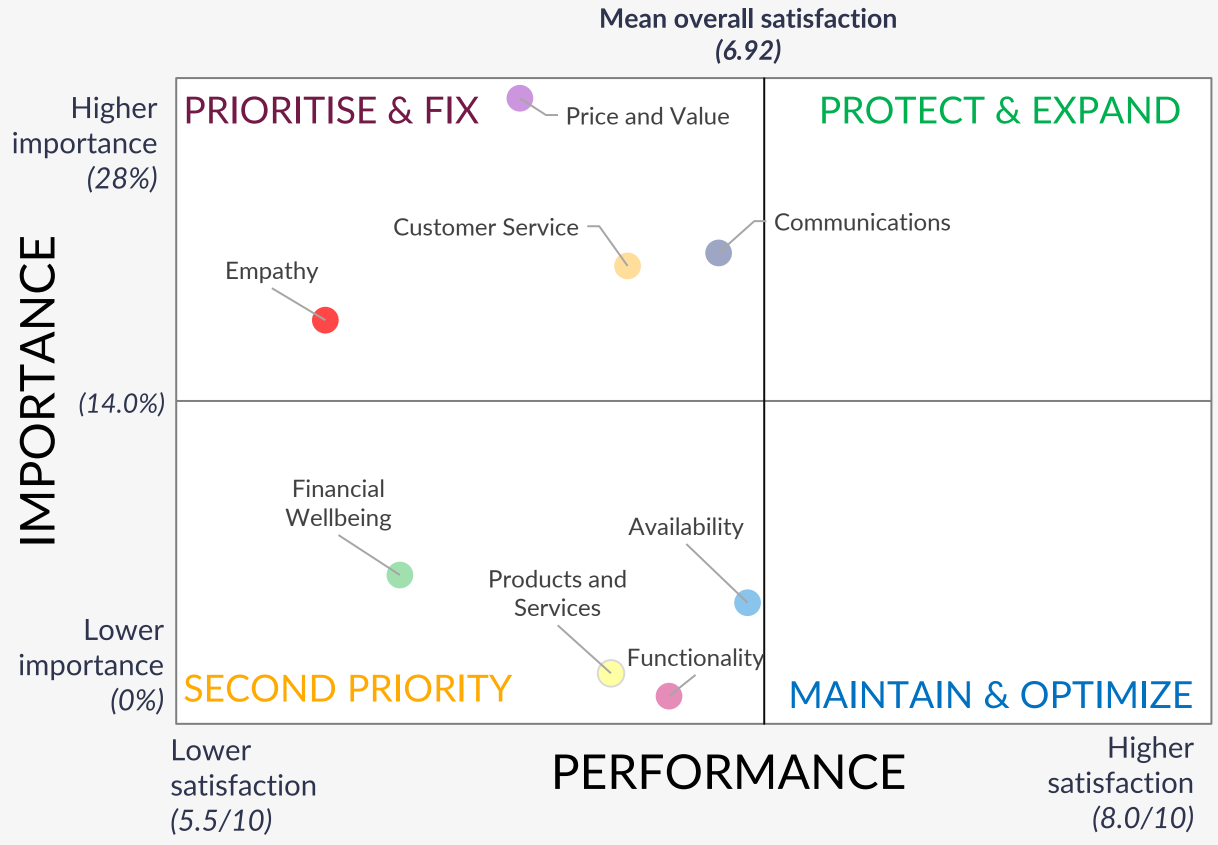
While '**availability**' is an area of relative strength that needs to be maintained, it is one of the least important drivers of satisfaction.

Where financial service experiences are failing

Credit Card

68% of the vulnerable consumers we spoke to said they currently hold a credit card. Not paying off in full (29%), missing payments (20%) and maxing out on a credit card (23%) are fairly commonplace experiences amongst the financially vulnerable and providers will need to ensure that these negative financial events do not snowball.

Key Service Aspects	Importance	Performance
Products and services	2.2%	**6.55**
Functionality	1.2%	**6.69**
Price and value	27.1%	**6.33**
Customer service	19.9%	**6.59**
Availability	5.3%	**6.88**
Empathy	17.5%	**5.86**
Financial wellbeing	6.5%	**6.04**
Communications	20.4%	**6.81**



Implications:

'**Empathy**', '**customer service**', '**communications**' and '**price and value**' are among the weakest performing drivers and all currently fall within the 'prioritize and fix' quadrant on account of their importance to overall satisfaction. '**Price and value**' has the biggest impact on satisfaction assessments and should be the first port of call. However, there is a need for providers to do more to demonstrate that they understand the needs of their vulnerable consumers better as '**empathy**' is the weakest performing driver.

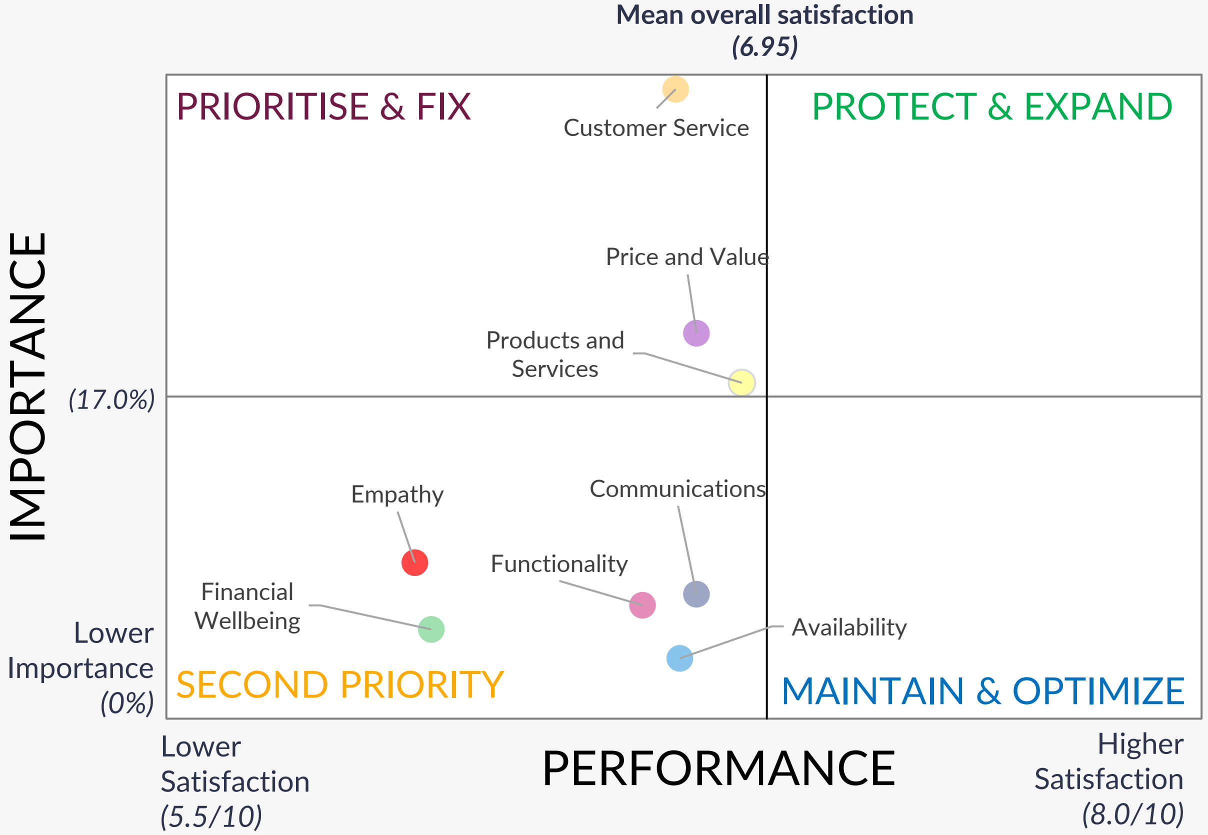
'**Financial wellbeing**', '**products and services**', '**functionality**' and '**availability**' underperform, but should be a second priority

Where financial service experiences are failing

Insurance

70% of the vulnerable consumers we spoke to said they have some form of insurance (e.g., life, car, income protection etc.). Some insurance products are considered a luxury, others are pressure purchases; providers need to help consumers see the value of these products and to feel that customer service have the best interests at heart – not sales targets.

Key Service Aspects	Importance	Performance
Products and services	17.7%	6.89
Functionality	6.0%	6.65
Price and value	20.3%	6.33
Customer service	33.2%	6.73
Availability	3.2%	6.74
Empathy	8.2%	6.10
Financial wellbeing	4.7%	6.14
Communications	6.6%	6.78



Implications:

‘**Customer service**’, ‘**price and value**’ and ‘**products and services**’ are the weakest performing drivers and all currently fall within the top left quadrant on account of their importance to overall satisfaction. ‘**Customer service**’ has the biggest impact on satisfaction assessments and should be a focal point for insurance providers.

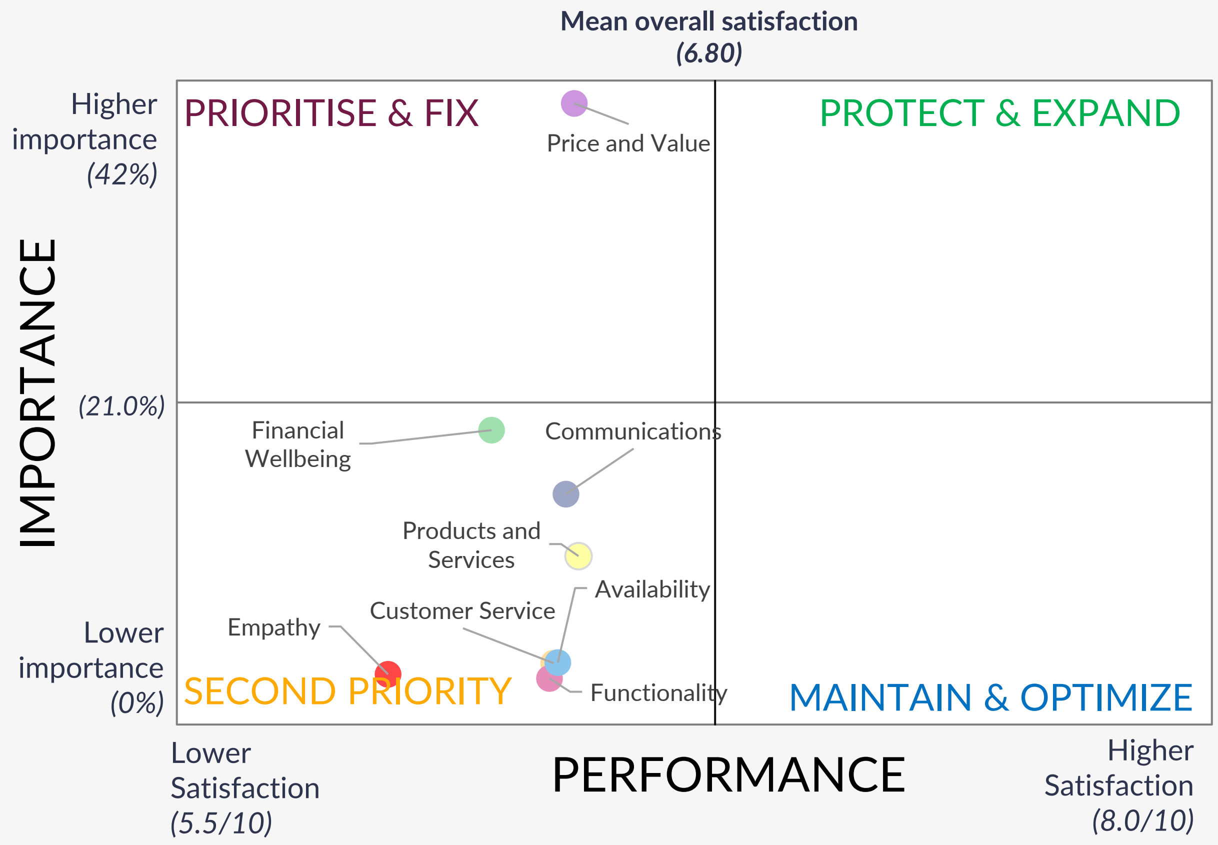
Consistent with other products, assessments of ‘**empathy**’ and ‘**financial wellbeing**’ have the lowest satisfaction ratings of any key service aspect but, for the time being, should be considered a second priority for Insurance providers. Over time, however, these aspects could be become more pivotal to satisfaction ratings.

Where financial service experiences are failing

Pension

59% of the vulnerable consumers we spoke to said they have a pension (either a workplace or private one). Interestingly, only 6% said that they've increased their pension / retirement contribution in the last 2 years. This could risk disappointment at retirement for millions of people due to inadequate savings throughout their life.

Key Service Aspects	Importance	Performance
Products and services	11.0%	**6.47**
Functionality	8.6%	**6.40**
Price and value	40.5%	**6.46**
Customer service	4.0%	**6.41**
Availability	4.0%	**6.42**
Empathy	3.3%	**6.01**
Financial wellbeing	19.2%	**6.26**
Communications	15.0%	**6.44**



Implications:

'**Price and value**', consistent with other financial products, is a key driver of satisfaction. However, it is particularly pertinent in relation to pension products where customers expect good value returns for their contributions. It currently makes up two-fifths of the model (40.5%) and is the only aspect which falls in '**prioritise and fix**'.

All other service attributes fall into the 'Second Priority' quadrant. As with all other financial products, '**empathy**' and '**financial wellbeing**' are the service aspects with the weakest ratings attached them. While they may not be important now, they could become important attributes in the future and should be monitored.

So, the FS experience requires transformation, not patchwork

Our key driver analysis highlights a range of service aspects in need of improvement.

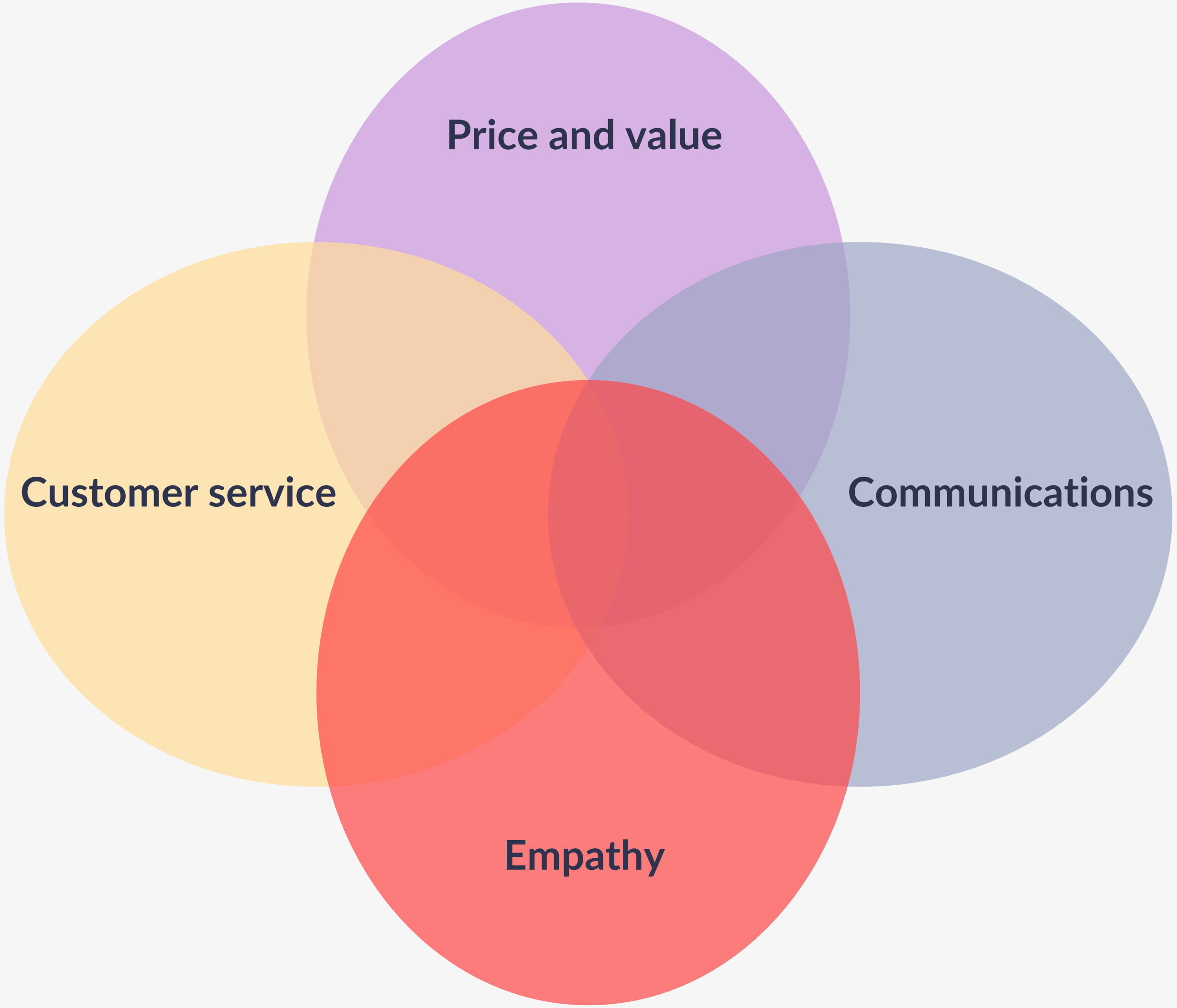
Key Driver Analysis (KDA) findings:

1. There are scarcely any service aspects that are considered 'strengths' in the eyes of vulnerable consumers. Most of these service aspects are in need of optimisation.

2. Unsurprisingly, the perceived **'price and value'** of a financial product is one of the more impactful drivers of satisfaction (particularly in relation to Credit Card and Pension products).

3. **Customer service** and **communications** also have a notable impact on satisfaction assessments. FS providers need to tailor their interactions and communications to the individuals. This means evolving their relationship from one that is purely transactional (and on script) to one that is personalised and fosters emotional intelligence.

4. **'Empathy'** is an important driver of satisfaction for everyday products such as current / savings account and credit card but it is the weakest performing. Vulnerable consumers are looking for providers that meet their emotional needs – as well as their functional ones.



Implications:

There isn't a 'silver bullet' when it comes to financial vulnerability; there are myriad service attributes that form the building blocks of an individual's experience and impact on their assessments of their providers. While certain bricks are more important / foundational to consumers than others, they should all form part of a financial service organisation's roadmap. The importance of factors are likely to change over time, so organisations should look to prioritize these in the short and medium term while others need to be incorporated as part of a longer-term strategy.

Create a ‘listening culture’ with action

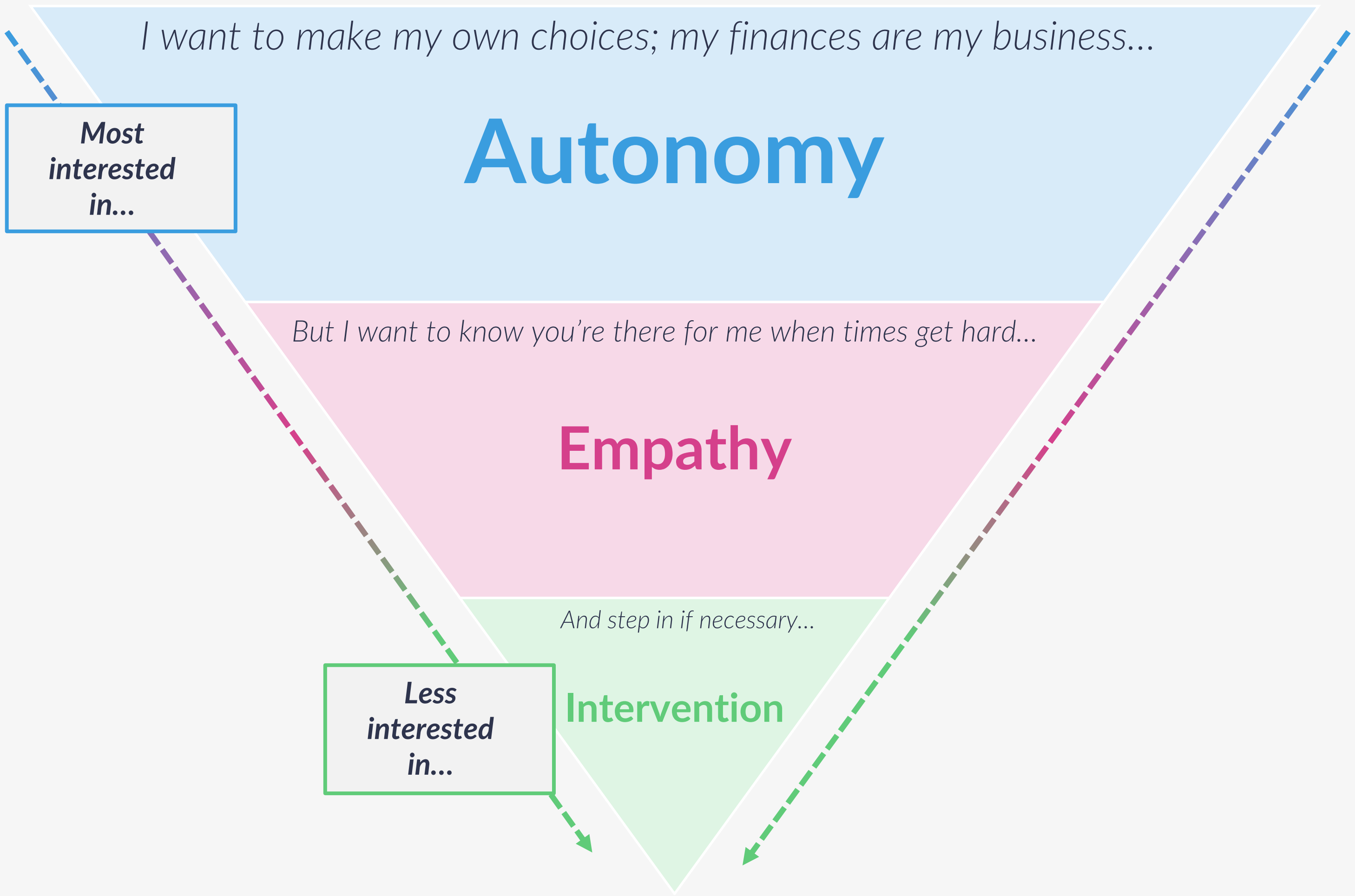
Reducing harm and mitigating financial vulnerability requires active listening.

Over the course of our research sprints, we have sought to give vulnerable consumers the opportunity to vocalise what they want from their financial service providers to help them manage their finances better:

- **Interviews (1-2-1 video calls)**
  “What would make things easier for you?”
- **Diary studies (WhatsApp)**
  “What would make things easier for you?”
- **Survey (open-ended feedback)**
  “What one thing do you wish your providers could offer?”
- **Survey (example concepts)**
  “Imagine your providers launched these services, how interested would you be in using them?”

Drawing upon this feedback, we have identified a number of themes which provider steer on what vulnerable consumers expect from their providers (as shown on the diagram to the right).

HIERARCHY OF WANTS



Implications:

As we have discussed in previous sections of the report, vulnerability is not a fixed state – it’s fluid. By this logic, the needs of vulnerable consumers will inevitably change over time. What vulnerable consumers want today, isn’t necessarily the same as what they will want in a year’s time. This means providers need to be flexible to the changing states of consumers. By creating a listening culture, they can more readily adapt and be prepared to catch them when they fall.

Where financial service experiences are failing

Vulnerable consumers are looking for autonomy…

Our findings indicate that consumers are more interested in accessing services that ‘empower’ them to make the right decisions rather than services that ‘protect’ them from making the wrong ones.

I need to be in control of *my* finances (for good or for bad)…

“*In all honesty, a major part of my financial struggles are due to a gambling addiction – but I have now taken steps and blocked myself from all gambling sites so my finances should improve massively*”

- Steve, Male, 36, Newcastle
(Interview participant)

“*More tailored advice to help me make informed choices about products based on my personal circumstances. This will allow me to choose products appropriately and with more confidence…but information needs to be clearer with less technical jargon too.* ”

- Female, 56-64, Wales
(Survey participant)

…but I’m open to your suggestions if they’re tailored to me and clear…

…and as long as you make me aware of the tripwires…

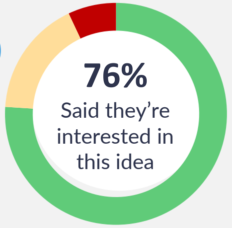
“**On missing a credit card payment:**
They should have contacted me to say I missed a payment and what would happen until I made it. I received nothing – no email, text or call. Their quality control procedures need to be fixed!”

- Nancy, Female, 36, Wales
(Diary study participant)

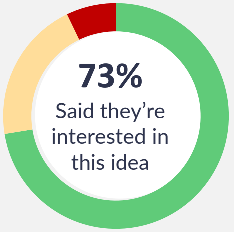
Concept feedback

Concepts which tease out notions of ‘clarity’ and ‘self-agency’ resonate most with vulnerable consumers. Nearly half (47% for concept 1 and 46% for concept 2) said they were either ‘very’ or ‘extremely’ interested in these ideas.

1 A clearer system to help you choose the right products for you and see the risks of different scenarios



2 Full clarity from day one about the arrangements and help available to you with the product if you ever experience difficulties



Where financial service experiences are failing

But they want providers to be empathetic to their needs…

While vulnerable consumers desire self-governance for their finances, they are also looking for providers who go beyond the transaction, demonstrate emotional intelligence without judgement and use empathy with action – not just words. Crucially, empathy isn't just 'tea and sympathy'.

Show me that you understand me and care…

"*[I want my providers] to be more flexible when I report difficulties and to better understand my needs, rather than tell me 'you should do this'. Maybe a dedicated support person who can understand what vulnerable people are going through"*

- Nigel, Male, 49, London
(Interview participant)

"*Someone to talk to and who you can report any concern or issues to. People need to feel that they're not alone in going through financial difficulties, or that they're not being judged, and that every problem has a solution - no matter how big or small it may seem."*

- Khadim, Male, 39, London
(Diary study participant)

…and that you're not judging me…

…Because I am vulnerable in ways that you can't comprehend *(yet)*…

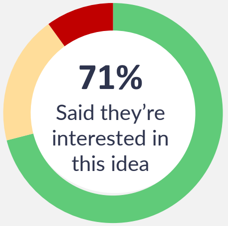
"Cited death of father and daughter's domestically abusive relationship as causes of her financial vulnerability
I need a service that allows me to juggle my finances and provide for my children when I die. I also need help with rising interest rates and the cost of living (as it is going to get a lot worse), so having someone I can talk to and get ideas from would be most welcome"

- Female, 45-54, North East England
(Survey participant)

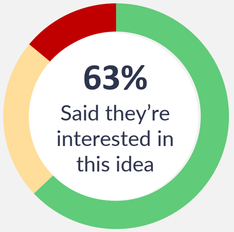
Concept feedback

Concepts which tease out notions of 'empathy' and 'support' resonate well with consumers. 45% (for concept 1) and 36% (for concept 2) of consumers said they were either 'very' or 'extremely' interested in these two ideas.

1 The ability to ask for non-judgemental support dealing with difficulties or confusions at any stage of your experience



2 The option to tell your providers that you may sometimes need additional help dealing with finances



Where financial service experiences are failing

Monitoring and intervention has its place, but the emphasis should be on teaching the right behaviours...

These ideas offer preventative measures but providers should focus on treating the cause – not the symptoms. Rather than blocking the card, they should seek to address the spending sprees.

For some consumers, it might be about removing the risk of self-sabotage...

> *Help me to address my tendency to buy things that are nice but not essential. Maybe I need someone to take responsibility of my account…particularly when you up my credit limit when I'm not even paying enough off yet. "*
>
> **- Male, 65+, North West England**
> (Survey participant)

> *It'd be good if financial institutions, like banks, offered more direct customer support and if they notice activity on the account that looks a bit odd or unusual it can be flagged. Messages could then be sent asking if they want support or help"*
>
> **Female, 45-54, North East England**
> (Diary study participant)

...for others, it's about observing financial behaviour from afar and the occasional check-in as needed...

...but ultimately, it's about giving consumers their own key to success...

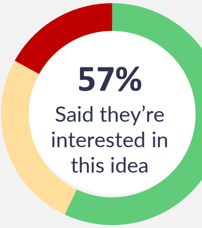
> *Offer budgeting and money management tools - some internet banks (Starling, Monzo) already do this. Cut out the financial jargon and explain things in laymen's terms so I understand my decisions better and how it will affect me."*
>
> **- Female, 35-44, East Midlands**
> (Survey participant)

Concept feedback

All 'monitoring' and 'control' related concepts have a degree of appeal but less so than other concepts. Just under a third said they were either 'very' or 'extremely' interested in the concepts (30% for idea 1 and 2, 29% for idea 3).

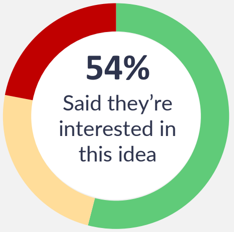
1

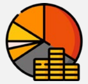
Light-touch monitoring and encouragement to help you steer and stay on track with your plans"



2

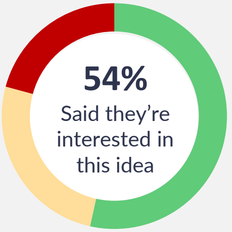
The ability to limit, pause or block your own spending or borrowing





3

Help with everyday organising, planning, or budgeting

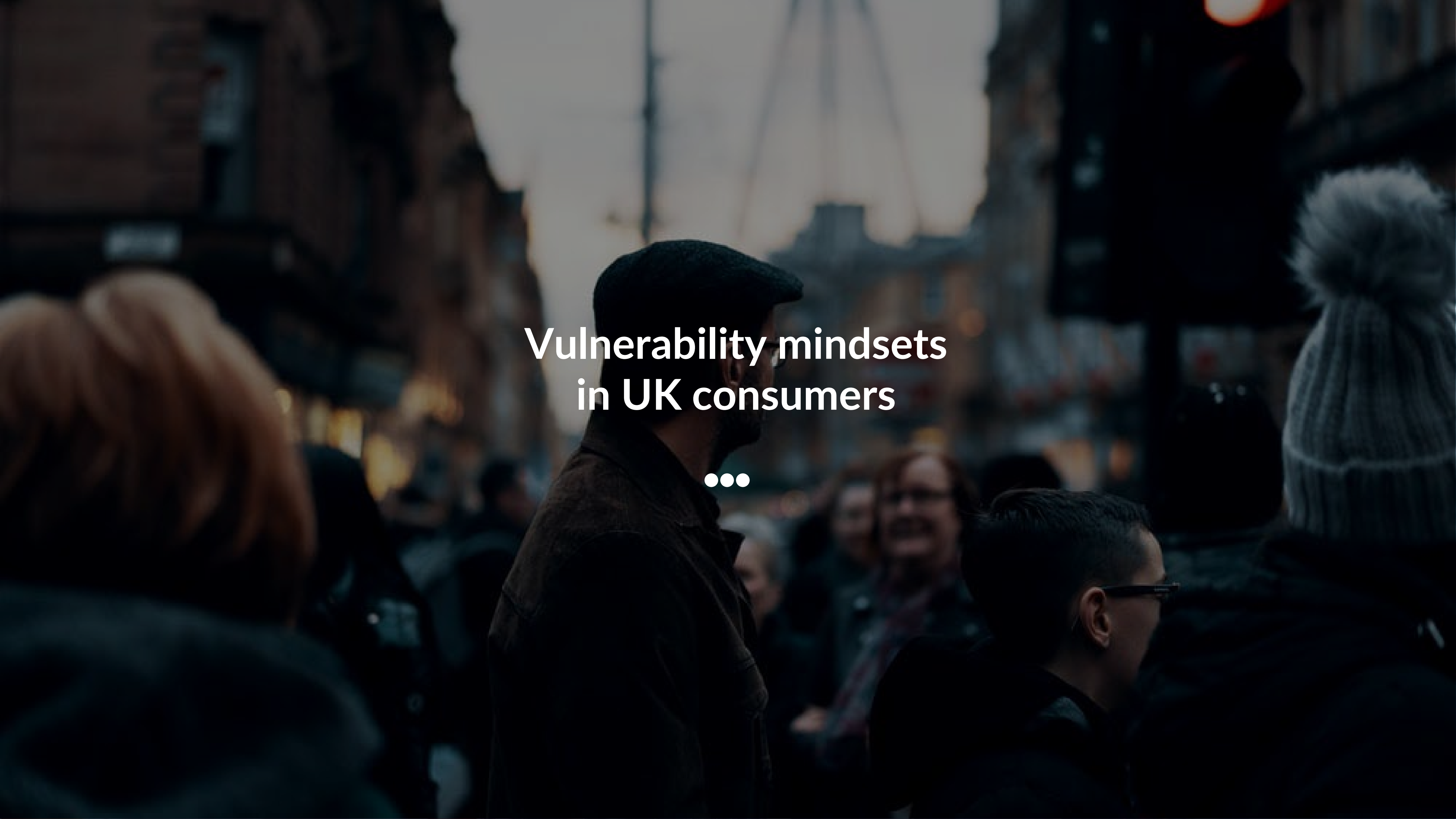


Where financial service experiences are failing

How might we address these wants…

As we've seen, providers need to offer services that empower and provide autonomy, with the education and controls that will mitigate harm. Here are some things to consider when addressing these wants:

The Want…	The Meaning…	The Challenge…
Autonomy	*I want to make my own choices; my finances are my business…*	To speak in layman's terms and point customers in the right direction when it comes to important information. Help facilitate better financial decision-making.
Empathy	*But I want to know you're there for me when times get hard…*	To provide the motivation and mechanisms for customers to reach out for support when they need to (in a way which will not result in punitive action or blame).
Intervention	*And step in if necessary…*	To check-in and conduct temperature reads if detrimental behaviours / activities are observed on more than one occasion. Take action to protect if it prevents harm or bad financial outcomes.



Vulnerability mindsets in UK consumers

Vulnerability mindsets in UK consumers

What is a mindset?

Mindsets are attitudes, beliefs, assumptions and ideas that individuals have, which shape their thought habits and affect how they think, feel and act.

Groups that differ when it comes to demographics and background may have comparable mindsets around a particular issue.

Mindsets are dependant on situation and context, and a person's mindset can shift many times over the course of their life, depending on the external triggers that they face.

Through our research, we have identified six 'vulnerable' mindsets:

- The Ostrich
- The Free Faller
- The Resigned
- The Undiagnosed
- The Wishful Thinker
- The Self-Improver

The spectrum of mindsets…and where they can be migrated to

It is worth mentioning that these mindsets are not static. Any customer can move mindset. The same person who go from a Wishful Thinker to an Ostrich and then on to a Self Improver in the space of a month. If you design with all these needs in mind, you will stand a good chance of meeting the needs of most.

The Ostrich

How I think:
- *'I bury my head in the sand, I'd prefer not to face it head on. I delete my banking app and don't open my bank statements'*

How I should think…
- *'I need to address this problem I have because it is not getting any better by avoiding it. I need help though.'*

What I need:
- **Empathy** – treat me with care, this brings up a lot of negative emotions for me
- **Guidance** – show me how I can get started on the journey of improving my financial well-being

The Free Faller

How I think:
- *'How did it get suddenly like this? I was doing okay – then I had the rug pulled out from under me'*

How I should think…
- *'I need to maintain composure and seek guidance and support for my situation. I can't solve this all on my own.'*

What I need:
- **Reassurance –** let me know that this is common and provide ways of getting out of this mess.
- **Empathy –** flexibility in services that show you understand my changing needs

The Resigned

How I think:
- *'This is how it is for me. One thing after another. I don't see myself being able to change it'*

How I should think…
- *'I need to get back on the horse, my situation isn't getting any better at present'*

What I need:
- **Awareness** – I need to be made aware of the gravity of my situation in a measured manner, don't overburden me with material – give me simple and easy to follow steps to take.

The Undiagnosed

How I think:
- *'I've never been good with money. I'm a bit chaotic. It's how I've always been, really'*

How I should think…
- *I need clear guidance of where I may be going wrong.'*

What I need:
- **Awareness** – Show me where I am going wrong and support me, where I need support, to get my situation in order
- **Reassurance** - Check in on me to make sure I'm doing okay

The Wishful Thinker

How I think:
- *'I'm feeling more on it now. I'm saving a little – and I even bought some Bitcoin. I've got this'*

How I should think…
- *I could use some support to make sure I'm utilising what is available to me in the most efficient way'*

What I need:
- **Guidance** – I need a helping hand to subtly nudge me in the right direction, look out for my best interests
- **Support** – Give me the tools to make things work for me
- **Encouragement –** Tell me what I'm doing well but also how I can improve my situation further

The Self-Improver

How I think:
- *'I'm trying to get better at managing. I do want to get things even. But I'm carrying a lot of baggage'*

How I should think…
- *I'm on the right track but I still need resources for staying on it'*

What I need:
- **Encouragement** - keep me on the right track with positive reinforcement and further progressive suggestions.
- **Support** – Give me the necessary facilities to continue my development

The Ostrich

How I think: *'I bury my head in the sand. I'd prefer not to face it head on. I delete my banking app and don't open my bank statements.'*

Who do I trust to help me improve my financial situation?

'I don't trust myself to get me out of this, I need support!'

Me (Intrinsic) — My inner circle — **My Financial Service Provider (Extrinsic)**

How persistent is your level of vulnerability?

'My vulnerability comes in waves, sometimes I'm on top of things and others my world is falling apart'

Chronic — **Sporadic** — Contextual

How do I react to making financial decisions?

'I avoid making serious financial decisions until the absolute last minute'

Passive — Pro-active

How comfortable are you talking about you financial situation?

'Talking about my finances gives me a lot of anxiety'

Uncomfortable — Comfortable

How aware are you of your vulnerability?

'I've had to delete my banking app because it stresses me out so much'

Unaware — Aware — **Hyper-aware**

What is the desired role of my financial service provider?

'Talking to people on the phone is a big cause of my anxiety, I always put it off'

To Protect — **To Empower**

What we know about Ostriches

Ostriches are those who just don't want to deal with the situation they're in and try to avoid it at all costs. They are not necessarily overwhelmed by the situation but can't and don't want to face it.

Useful ways to engage Ostriches

Those who have become overwhelmed with the severity of the situation often become paralysed with fear and shame. Financial Service providers should be addressing them with clear advice for their problem, without judgement.

Messaging should not be all 'doom and gloom' - light needs to be shone on the problem with a sense of possibility and optimism.

The Free Faller

How I think: *'How did it get suddenly like this? I was doing okay – then I had the rug pulled out from under me.'*

Who do I trust to help me improve my financial situation?

'I would normally say myself, but I've never been in this predicament before'

Me (Intrinsic) — **My inner circle** — My Financial Service Provider (Extrinsic)

How persistent is your level of vulnerability?

'Up until now, I've not had to deal with this before...this is new to me'

Chronic — Sporadic — **Contextual**

How do I react to making financial decisions?

'I've been comfortable before now, I usually figure things out myself'

Passive — **Pro-active**

How comfortable are you talking about you financial situation?

'I'm going to do whatever it takes to sort this out'

Uncomfortable — **Comfortable**

How aware are you of your vulnerability?

'I'm very aware of the severity of the situation'

Unaware — Aware — **Hyper-aware**

What is the desired role of my financial service provider?

'I need a safety net, a buffer zone'

To Protect — To Empower

What we know about Free Fallers

Free Fallers are in a state of high stress and anxiety, and prone to knee jerk reactions. The newness of their situation can make them extremely vulnerable to dealing with their situation recklessly, making foolhardy decisions such as getting 'pay day' loans 'just to get to payday' in moments of distress.

Useful ways to engage Free Fallers

Free Fallers will be in a state of distress due to sudden, unforeseen circumstances they are experiencing and a lack of preparedness. Once the situation has been addressed they will require clear action plans that will help improve their situation.

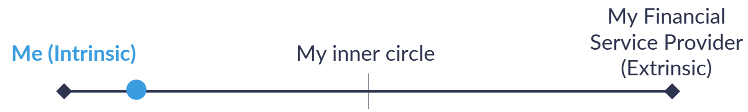
Help with navigation through this unchartered territory is vital. They have been rattled, but need to be reassured not to panic and that support is there for them to prevent the cascading effect of vulnerability.

The Resigned

How I think: *'This is how it is for me. One thing after another. I don't see myself being able to change it.'*

Who do I trust to help me improve my financial situation?

'I normally get advice of my mum or dad, I don't burden anyone else'



How persistent is your level of vulnerability?

'It's never-ending, I can't get out of this rut I'm in'

How do I react to making financial decisions?

'I have made me peace with my situation so I tend not to stress over it anymore, what good will that do?'

How comfortable are you talking about you financial situation?

'I'd rather not talk about it – it makes me feel embarrassed'

How aware are you of your vulnerability?

'I know what's going wrong, but I can't get the support I need. I'm done with trying'

What is the desired role of my financial service provider?

'I need my bank to help me, but I can't see them doing that for me'

What we know about the Resigned

The Resigned have made their peace with anxiety and all that comes with their financial predicament. They are beyond looking outwards and seeking help; rather, they are 'going through the motions' so as to not burden themselves with the reality.

Useful ways to engage the Resigned

People who have '*checked out*' from their financial situation need a steady and measured reintroduction.

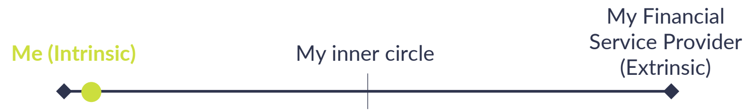
The Resigned need the 'light at the end of the tunnel' and reassurance that their situation can pass, with tools to get it under control. Optimism in change is likely to improve chances too.

The Undiagnosed

How I think: *'I've never been good with money. I'm a bit chaotic. It's how I've always been, really.'*

Who do I trust to help me improve my financial situation?

'I'm not that open about my finances, I'm not sure what needs to be done to get on the right track'



How persistent is your level of vulnerability?

'Very persistent, I can't seem to shake it off. It would help if I knew what the problem was...'

How do I react to making financial decisions?

'I generally just let things happen and deal with the consequences at a later date'

How comfortable are you talking about you financial situation?

'I don't talk money with people'

How aware are you of your vulnerability?

'What do you mean, vulnerable?'

What is the desired role of my financial service provider?

'I need someone to tell me where I'm going wrong and how to improve it'

What we know about the Undiagnosed

The Undiagnosed are, as their name suggests, unaware of the cause of their financial issues or that they may be financially vulnerable at all. A lack of financial education in earlier life can lie at the root of people being unaware of their situation. However it is the lack of support and guidance from their financial service provider that is keeping them from changing behaviour. This can be changed.

Useful ways to engage the Undiagnosed

The Undiagnosed are yet to be made aware of or acknowledge their vulnerability and require their bank or financial service provider to be forthcoming about their situation.

It's about shining the light on a problem, in an empathetic and transparent way.

The Wishful Thinker

How I think: *'I'm feeling more on it now. I'm saving a little – and I even bought some Bitcoin. I've got this.'*

Who do I trust to help me improve my financial situation?

'I get lots of financial advice from social media.. Tik Tok, Instagram.'

Me (Intrinsic) | My inner circle | My Financial Service Provider (Extrinsic)

How persistent is your level of vulnerability?

'I'm going to make it big one of these days!'

Chronic | Sporadic | Contextual

How do I react to making financial decisions?

'I'm quite confident with making financial decisions, I won't take up too much time on it'

Passive | **Pro-active**

How comfortable are you talking about you financial situation?

'I'm very happy to talk about it, let me show you this new crypto currency I bought!'

Uncomfortable | **Comfortable**

How aware are you of your vulnerability?

'What do you mean, vulnerable?'

Unaware | Aware | **Hyper-aware**

What is the desired role of my financial service provider?

'Give me guidance and some control'

To Protect | **To Empower**

What we know about Wishful Thinkers

Wishful Thinkers believe that they are on track when it comes to their financial goals. In reality, they are far from achieving them and could be doing a lot more to improve their situation. They are at risk of becoming Ostriches if they are not handled with care and empathy.

Useful ways to engage Wishful Thinkers

Sometimes, outlining the reality of their situation can be the best 'wake up call' an individual can have. This can be done by acknowledging their efforts and providing gentle nudges or suggestions on more effective methods.

Customers want their bank to be transparent and honest about their situation, and give access to knowledge that can help them improve themselves.

The Self-Improver

How I think: *'I'm trying to get better at managing. I do want to get things even. But I'm carrying a lot of baggage.'*

Who do I trust to help me improve my financial situation?

'I take on all the advice I can get, but I'm at a point where I trust my own judgement now.'

Me (Intrinsic) — My inner circle — My Financial Service Provider (Extrinsic)

How persistent is your level of vulnerability?

'I've got to a point where it I only feel vulnerable very rarely, but I know it can always spring up on me.'

Chronic — Sporadic — **Contextual**

How do I react to making financial decisions?

'I've started reading up on my best options rather than just leaving it up to chance. I've learnt the hard way that doesn't work'

Passive — **Pro-active**

How comfortable are you talking about you financial situation?

'Very comfortable. Like an addict, the first step in getting better is talking with someone about your issues.'

Uncomfortable — **Comfortable**

How aware are you of your vulnerability?

'I understand my shortcomings and where I need support and I'm trying to implement those support mechanisms.'

Unaware — Aware — **Hyper-aware**

What is the desired role of my financial service provider?

'I'm now in a position that where I want to be empowered more, before I needed more protection'

To Protect — Both — **To Empower**

What we know about Self Improvers

Self improvers will often have made a budget and are trying their best but will have redefined their habits as something which doesn't necessarily need to be worked on.

The act of writing their budget down can give them a false sense of control and security. The Self Improver can be one of the hardest customers to nudge towards help as they can be overconfident or 'rest on their laurels'.

Useful ways to engage Self Improvers

The self-improver needs encouragement and applause for the steps they have already taken - a feedback loop can be a great way to keep them on track and suggest further ways to continue their development.

Manifesto:
Principles to keep in mind when designing for financially vulnerable consumers

•••

To recap: what are financial services required to do by Consumer Duty?

Implementing Consumer Duty will mean examining the four central outcomes of the financial customer experience.

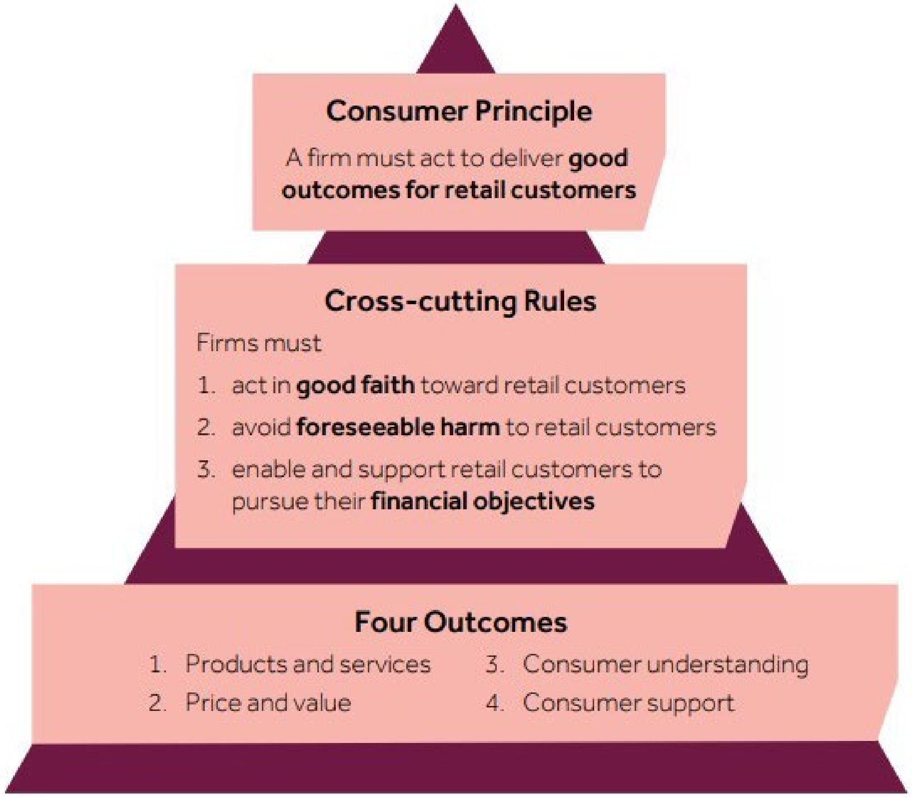
The Four Outcomes represent the key elements of the business-consumer relationship: how firms design, sell and service products and services, and the key contact points along the customer journey. The behaviour and actions of firms for each of these outcomes are instrumental in enabling consumers to meet their financial needs. If executed well, they can be drivers of improved financial wellbeing.

Customer understanding

Products and services

Customer support

Price and value



Principle 1: Establish where your moral 'line' is on financial vulnerability

Financial service providers should make a clear call on where they stand on a spectrum of 'Laissez Faire' to 'Interventionist'.

THE CONTEXT

Financial vulnerability is accompanied by stress, anxiety and distress and can afflict consumers at any point in life. It is a social problem. It is exacerbated by inconsistency across channels – one offering credit, the other chasing for payment.

THE CHALLENGE

Vulnerable consumers call for greater empathy, support, education and transparency. Yet the form that this might take is a question of ethics, requiring high level direction that asks:

'What kind of business shall we be and where will we stand? What will our offer for vulnerability be? How can we ensure we are consistent in how customers experience our products and services and how can we set clear boundaries? How can we 'vulnerability-proof' across channels, products and services?'

INSPIRATION...

YouTube **IQOS** **GamStop Gambling**

Businesses taking a high level 'stand' on ethical questions

Principle 2: Stop treating vulnerability as a separate, abstract, marginal 'other'

Providers need to start designing products that will ensure all consumers will achieve good outcomes.

THE CONTEXT

Financial vulnerability is something experienced across demographics – at least 40% of the population have at least one vulnerability. It not the preserve of a demographically fixed, hyper-marginal or precarious section of the population.

THE CHALLENGE

There is an opportunity to reframe vulnerability and embrace the idea that 'anyone can be vulnerable' – from an affluent retiree facing severe illness to a gig worker. In doing so, businesses can shift the focus from 'who's vulnerable' (the people in wheelchairs) to 'what is making them vulnerable' (the stair-only access), designing for all customers to achieve good outcomes.

This shift will enable providers to move from 'dressing vulnerability' to 'designing and specifying products and services that are accessible, inclusive and avoid foreseeable harm'.

INSPIRATION...

Microsoft **Google Pixel** **OXO**

Brands wiring inclusivity into design

Principle 3: Consider the potential long term value of vulnerable consumers

Vulnerable consumers are already profitable. .Moreover, what benefits them benefits all customers.

THE CONTEXT

The tendency to view vulnerable customers as a marginal segment underestimates the size of this cohort, how many spend years as 'non-vulnerable' customers and can flourish as prosperous customers again.

THE CHALLENGE

Providers can materially gain from supporting vulnerable consumers.

It's a truism that customers experiencing positive outcomes after bad experiences emerge with higher levels of trust for providers. A deeper 'care culture' also has a halo effect. As with disability, improving their service doesn't diminish the experience of the 'non-vulnerable'.

The **'current view'** is that vulnerable customers generate short term revenue, but wouldn't qualify as mortgage or savings customers. The **'target view'** can be that vulnerable consumers are a 'canary in a coal mine' for good outcomes. Helping all achieve good outcomes and supporting financial resilience can be a compelling, longitudinal business case.

INSPIRATION...

Marshmallow **Monzo** **Asda**

Brands seeing commercial value in seemingly lower value customers

Principle 4: Build an empathy culture that permeates the organisation

Crossing the vulnerability gap will mean fostering empathy, but in a way that goes beyond merely 'listening'.

THE CONTEXT

'Empathy' ranks persistently high among the qualities vulnerable customers would like to hear from their providers. Currently, it's more exception than rule. Empathy means the non-judgemental response, an understanding tone, language and patience. But customers seek **empathy in actions** - not merely kind words.

THE CHALLENGE

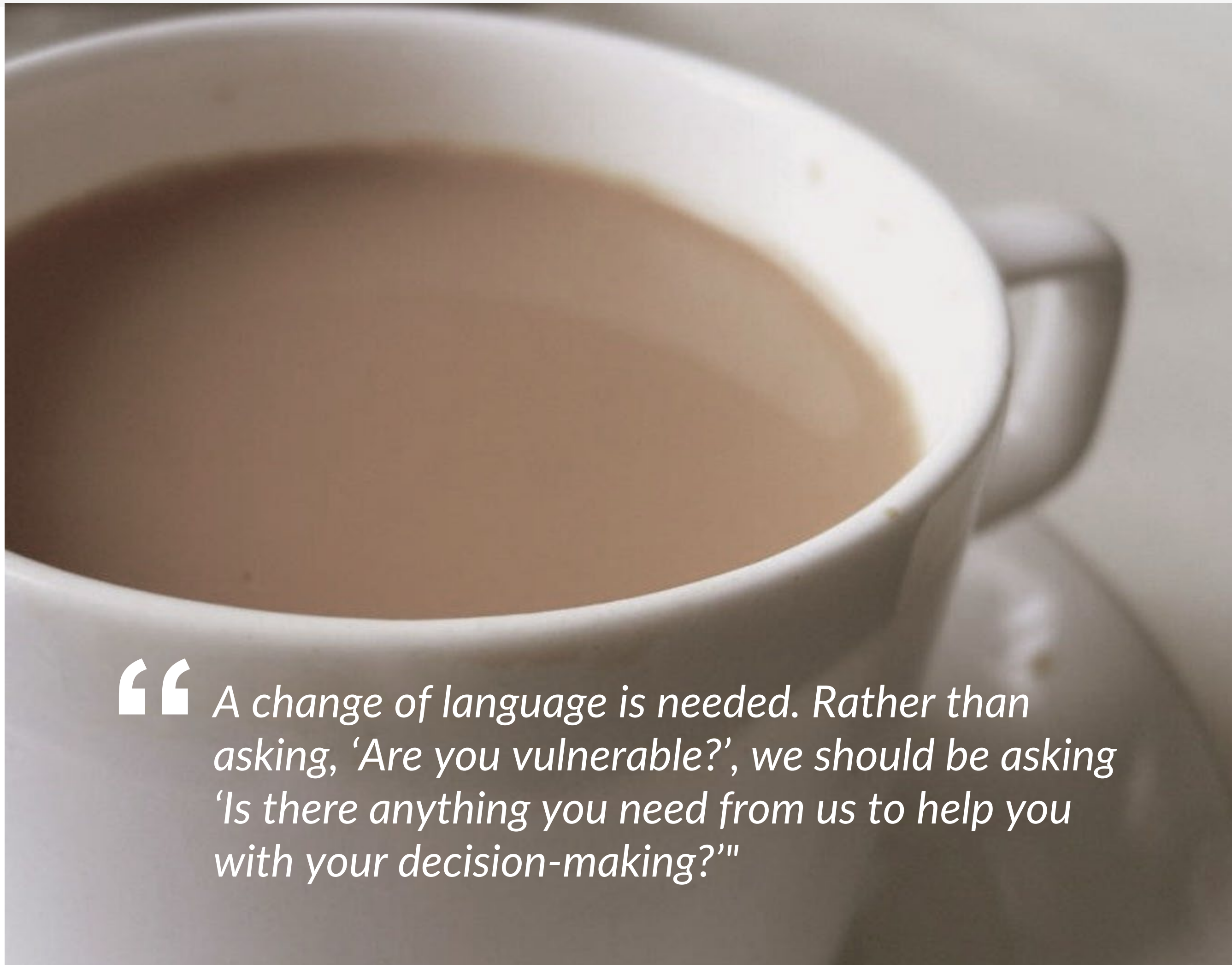
There's an opportunity to embed a deeper empathy culture, seeing vulnerability as a 'mainstream not marginal' experience that 'can happen to any of us'. But empathy in not just 'listening'. It needs to be demonstrated and to inform how services are designed across the organisation.

In effect, the vulnerable customer asks: 'Listen to me, understand me and show how well you understand me by being flexible and responding to my needs'.

INSPIRATION...

Timpson **John Lewis** **Monzo**

Permeated cultures of accessibility, empathy and fair treatment.



Principle 5: Seek to 'de-other' the difficult experience of vulnerability

Destigmatising and 'normalising' vulnerability can lower the barrier to talking about it and acting on it.

THE CONTEXT

A common feature of financial vulnerability is that it is often a private grief for consumers. The sense of solitude can be aggravated by the feeling that help is hard to come by and by fears of harsh judgement.

This becomes particularly pertinent in the face of post-pandemic recovery, rising living costs and greater uncertainty.

THE CHALLENGE

There is an opportunity to help socially 'norm' vulnerability and encourage positive behaviour change by relatively normalising the struggle and celebrating the successes of 'battlers', using positive levers and nudges.

This would mean lowering the barrier to, and stimulating, self-disclosure. The resulting culture of acceptance is likely to resonate across consumers, well beyond the vulnerable.

INSPIRATION...

NHS: Better Health

Calmzone: Campaign against living miserably

This Girl Can

Normalising the struggle; encouraging gradual positive change.

Principle 6: Reconceptualise decision journeys, asking ‘vulnerable to what?’

Businesses need to look beyond fixed demographics and avoid linear product journeys that overlook possible vulnerabilities.

THE CONTEXT

The experiences we’ve heard from financially vulnerable consumers point to examples of flawed decision-making, recklessness, over-optimism, and denial when it comes to acquiring products and managing them.

THE CHALLENGE

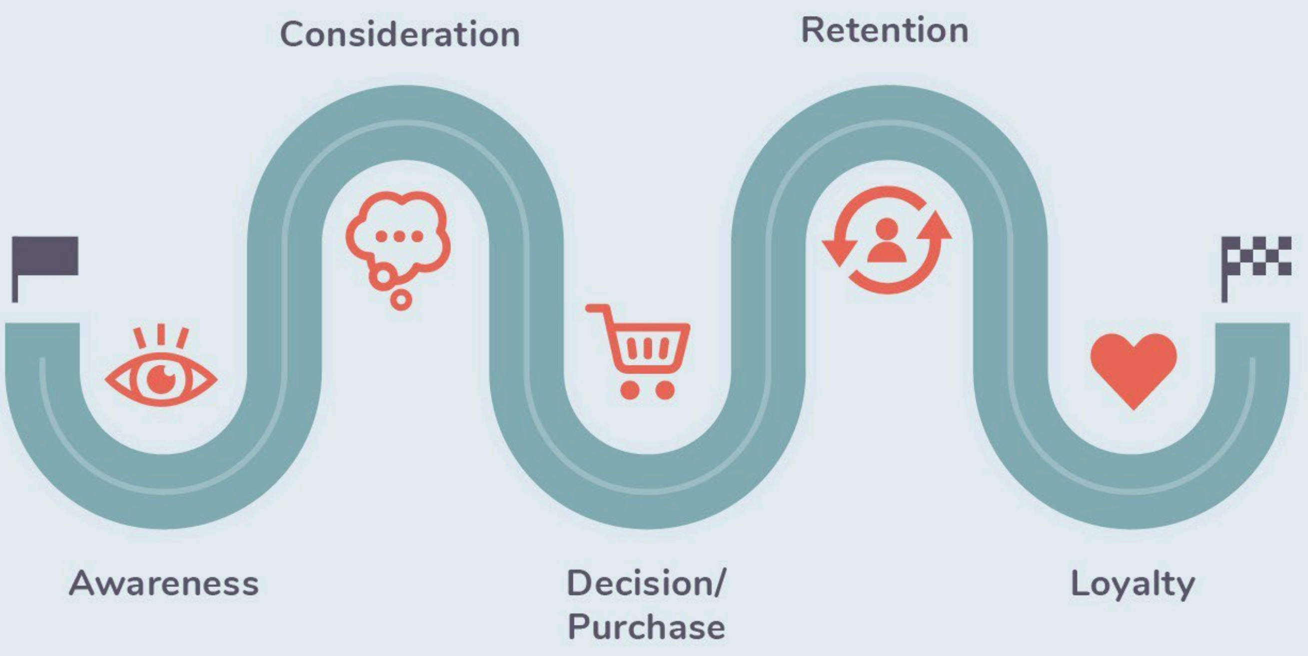
To identify vulnerabilities, businesses should interrogate how consumers understand their own needs, goals and assess the market of products / services when they make decisions. From decision to purchase, the task is to identify ‘what’ presents vulnerability and how to avoid harm there.

A customer journey is not a series of screens in an app or a call centre script. It is all the competing needs, motivations and behaviours in play while a process of understanding and decision is unfolding - and simultaneously unfolding with other organisational and influencing factors.

INSPIRATION…

Ikea **GiffGaff** **Quickbooks**

Reformulated journeys in ‘traditional’ categories



Principle 7: Make your peace with '*positive friction*' and recognise '*sludge*'

The challenge of meeting vulnerability obligations suggests that 'fast purchase' and 'slow exit' aren't sustainable.

THE CONTEXT

Experiences of vulnerable consumers often show them having been allowed to acquire products at haste, without fully contemplating all the options available to them and all risks. While 'hindsight' makes regret common, it can appear that more 'positive friction' could have averted some problems.

Simultaneously, current difficulties accessing support, low awareness of help and friction trying to 'exit' take on the form of 'sludge' in customer journeys. 'Sludge' is friction that acts to the benefit of service providers but to the active detriment of the customer. ***'Three clicks to get the card; 45 minutes on the phone to close it'***.

THE CHALLENGE

There's an opportunity for providers to make peace with **positive friction** for the better protection of customers, evolving from the default idea that 'a good journey is a quick journey'. Equally, businesses can address detrimental 'sludge' that hinders customers trying to address problems.

INSPIRATION…

Hello Fresh	Pure Gym
Positive friction in the purchase journey….	…and easy, 'low-sludge' exit.

Principle 8: Harness the benefits of dynamic data and the single customer view

The 'single customer view' and dynamic data will be valuable weapons for tackling financial vulnerability.

THE CONTEXT

The current hurdle to observing vulnerability and helping consumers address it is the reliance on 'static' data and a monolithic idea of vulnerability as a fixed state that afflicts a fixed, marginal population.

The reality of the human experience of financial vulnerability is that it is a fluid state, experienced to different degrees of intensity and provoking a variety of reactions, from panic to outright denial.

THE CHALLENGE

There's an opportunity to harness **dynamic data** to identify vulnerable customers and tailor a personalised response that speaks to their vulnerability demons. Having a truly 'single customer view' can better serve them and avoid serving customers with additional products that might exacerbate, not lessen their difficulties.

INSPIRATION...

Spotify **Experian** **Netflix**

Championing dynamic data to personalise and shape the offer.

Values to hold closely when engaging with financially vulnerable consumers

Shared 'vulnerability values' are essential for interacting with vulnerable customers and providing a clear, unified response....

Value	Description	Questions to ask yourself:
Be Demonstrably Empathetic	Understand that each customer has their own distinct experiences and show how your understanding informs your decisions for them. Avoid being judgemental or having an 'agenda'. Make your empathy and understanding *manifest* and *active*.	• Can they trust us? • Do we appear to 'have an agenda'? • Do we *really* understand them? • Are we just offering 'kind words'?
Be **Tactful**	Understand that vulnerability is lived and responded to in different ways and adapt your response to consumers accordingly: some may be 'Ostriches', others may be 'Wishful Thinkers'.	• How is this customer experiencing it? • What do they lack? What do they fear? • How best to engage with them?
Be **Alert**	Ask 'vulnerable to what?'...?. Set up measures to identify where people could become vulnerable and actions to prevent this from happening.	• What are the negative outcomes we are seeking to avoid? • What are the risk factors that increase the chances of those negative outcomes? • Where to educate, assist and intervene?
Be **Transparent**	Be clear about the position you hold and why you hold it. Share information overtly and truthfully so your customer can make up their own mind.	• Have we made our position clear and what they can expect of us? Have we been upfront about risks and possible consequences?
Be **Constructive**	Be upfront and proactive about alternatives, support or contingency available to vulnerable consumers. Don't wait until the 'point of collision' to act.	• Have we told them about the options and help available? • Can we intervene or be more proactive?


Sources and acknowledgements

Notes from the field

Reflections and learnings from our team in navigating this topic.

Jonny Revell

Tom Statters

Jake Goretzki

I exhibit behaviours associated with financial vulnerability…

This project has had a very profound effect on me.

To know that one in two of all UK adults have been, are, or are going to be in a state of financial vulnerability at some point in their life is quite a chilling statistic to consider. It's even more confronting when you realise that you yourself have exhibited some of the behaviours associated with financial vulnerability.

Until I worked on this engagement, I had no idea that these behaviours made me susceptible to financial harm. I guess this is another stark reminder of how challenging self-identification is, and how low self-awareness can be.

Being a part of this project has made me question my own relationship with my finances and providers more profusely. I'm one of the lucky ones; I'm aware of the situation and how best to mitigate some of the risks. There are many who aren't. They're the ones in danger of slipping through the net and hurtling towards irreparable harm. Financial service providers can do more to avert that danger.

Handling a sensitive subject and doing it ethically

A surprising finding from the qualitative side of this research was how candid and forthcoming participants were when talking about extremely intimate and personal aspects of their financial lives. Once the ice had been broken and a rapport had been built, participants generally freely shared their stories of debt, battles with addiction and their financial regrets. It felt at times as if some had unburdened themselves.

Our financial lives are often something we are secretive about, and that secrecy is what can breed shame and embarrassment – obstructing the willingness to reach out for help. Financial services can learn from this. Building richer and more intimate dialogue channels can be an excellent way to prevent people from slipping into vulnerability.

> ***"It's quite good to reflect, actually. You don't normally get asked these kind of questions in every day life. It's helpful to challenge the way you think"***
>
> **Henry, 21, London**

Learnings around techniques: longitudinal and reflective

More mundanely, but worth noting, is that this research once again confirmed for me the value of incorporating a longitudinal element into research for this kind of project.

We knew vulnerability really wasn't a subject that we could just surface, 'cold', during a discussion, and that we would need to give participants time and space to think back on experiences - and work hard to win trust. We also needed to reassure them that we weren't judging them.

For this reason, we asked participants to reflect on their financial experiences in the lead-up to interviews, using a loosely structured digital format, working in their own time.

To avoid falling into 'generic' conversations about frustrations with banks (which 99% of consumers will doubtless have), we also insured that participants focussed on specific, finite experiences and encounters that they had recently had.

We only interviewed individuals. Experiences of this kind are highly subjective, and deep-diving into finance - a private, idiosyncratic matter - rarely lends itself to the classic 'group discussion' format. Rather, 'solo, longitudinal and specific' is often the best way.

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Appendix

We used a multi-method approach to this research

Combining desk research, subject matter specialist insights and primary quantitative and qualitative research.

1. DESK RESEARCH

We started with secondary desk-based research, to identify psychological frameworks around behaviour, as well see what current financial vulnerability research pointed to, to develop a set of hypotheses.

2. SUBJECT MATTER SPECIALISTS

We conducted a series of in-depth interviews with internal EY stakeholders working close to the subject of financial vulnerability.

3. PRIMARY QUALITATIVE RESEARCH INTERVIEWS AND DIARIES

We conducted a diary study with 10 participants over one week, conducting interviews for testing of hypotheses and concepts. Our diary study explored experiences of vulnerability and interactions with FSPs.

4. PRIMARY QUANTITATIVE RESEARCH

We captured survey feedback from over 1,000 financially vulnerable participants (based on a nationally representative sample), This allowed us to understand, at scale, the prevalence of our themes and to validate (or falsify) some of our hypotheses.

Overview of our quantitative research: recruitment, approach and analysis

A summary of our quantitative research phase.

Recruitment

- We captured feedback from 1,005 vulnerable consumers living in the UK via a panel agency.
- We sent our survey to a nationally representative sample based on (age, gender and region). This was to ensure that the natural fall out of our responses (and results) reflected that of the wider UK population. Fairly consistent with the FCA (53%), we found in our research that 45% of the UK population exhibit vulnerable behaviours.
- To qualify / be defined as someone who exhibits vulnerable behaviour, respondents had to select at least one of the fifteen vulnerable behaviour types (as shown on slide 19) as something they have experienced. To remove social desirability bias within this screener question, we included a series of 'red herring' answer options which do not constitute financial vulnerability.

Approach

- The fifteen vulnerable behaviours definitions (used within our survey screener) were identified during our primary qualitative interviews and diary studies as well as through extensive desk-based research. While we acknowledge that there could be other vulnerable behaviours that we didn't observe in our research, our definitions cover a broad sweep of financial vulnerabilities.
- We didn't set any quotas for our quantitative research. Our data collection is based on natural fallout of a nationally representative sample distribution. This means that we didn't set targets by any demographic question, financial product question (e.g., which products do they hold, service provider are they with etc.), any behavioural questions (e.g., causes of behaviour, frequency, severity etc.) or other.
- Our fourth theme ('***Where financial service experiences are failing***') includes a series of product / provider level assessments. When making these assessments, respondents were told to think about their 'main' provider for each of the financial products they hold. By main provider, we mean the one that they interact with most often, the one they spend the most money with for that product/service or the provider they consider most important for that product.

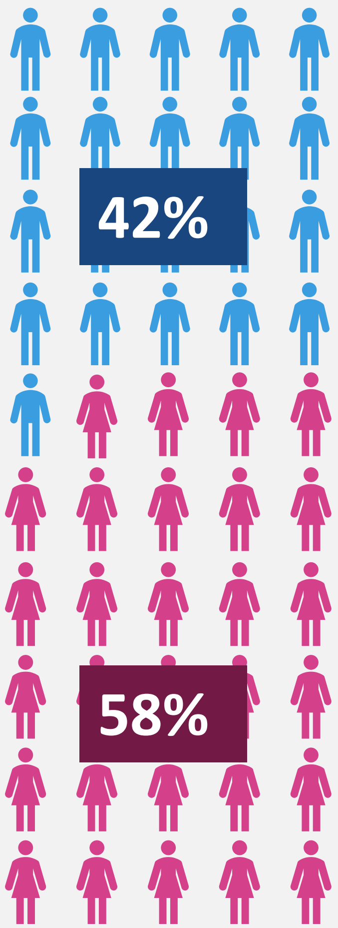
Analysis

- The stats shown on slides 17-47 are taken from our survey (based on overall sample).
- Assessments/scores for '***overall satisfaction with catering to my needs***' (slides 38-41) should be considered indicative. While these scores provide useful steer on product performance, they shouldn't be considered fully conclusive.
- For our Key Drivers Analysis (KDA), we used beta scores to determine the relative importance of each key service aspect and its impact on overall satisfaction. This form of regression analysis enables us to make predictions and derive a simple importance measure. Beta are standardised coefficients and are computed as the regression coefficients where the dependent variable (overall satisfaction) and independent variables (the key service aspects) have been standardised to have a standard deviation of 1.0. While our regression techniques achieve a moderately strong R^2 value (or moderately strong model of best fit) between 0.44-0.49, the findings should be considered exploratory at this stage.

Overview of our survey participants

We collected responses from 1,005 vulnerable UK respondents based on a nationally representative sample launch. Below shows a breakdown by demographics.

Gender



Age

24%	18-34 years old
44%	35-54 years old
31%	55+ years old

Living situation

8%	Living at home with parents
2%	Living with friends / housemates
20%	Living by yourself
28%	Living with partner / spouse (no child)
9%	Single parent living with children
31%	Family with children living at home
1%	Other (e.g. living with extended family members)

Employment status

36%	Full-time employed
19%	Part-time employed
7%	Self employed
5%	Unemployed
10%	Unable to work due to sick health
15%	Retired
8%	Homemaker / Stay at home

Region

8%	East of England	7%	Scotland
9%	East Midlands	15%	South East
12%	London	8%	South West
5%	North East	4%	Wales
13%	North West	9%	West Midlands
2%	Northern Ireland	8%	Yorkshire and Humber

Ethnicity

89%	White
2%	Mixed / Multiple ethnic background
5%	Asian / Asian British
3%	Black African / Caribbean / British

Household income

8%	Less than £10k per year
28%	£10k - £24.9k per year
25%	£25k - £39.9k per year
17%	£40k - £54.9k per year
10%	£55k - £74.9k per year
5%	£75k - £99.9k per year
2%	£100k or more per year
6%	Prefer not to say