



# Consumer Duty:

A customer-led approach to tackling a transformational opportunity

# Consumer Duty sets out the task to address financial vulnerability.

- The Financial Conduct Authority's (FCA) Consumer Duty objective is to cultivate good financial outcomes for all UK consumers\*. Consumer Duty is far reaching and will impact all UK regulated financial services organisations both in terms of internal process and externally, in the way they engage with the market and their customers.
- Bringing Consumer Duty to life to meaningfully address vulnerability requires a rich understanding of how vulnerability is lived in all its nuances. This understanding will support sound principles with which organisations can redesign financial service experiences and products.

## This is more than designing for vulnerability. This is a unique opportunity to transform all aspects of business to centre around customers.

- The Consumer Duty is a shift towards the *customer*, raising questions across four key outcomes as well as the financial services proposition. It requires the industry to pause and take stock of the role they play in customer's lives, how they can better sense and meet their financial needs, goals and objectives.
- To be authentically customer-centric, organisations must understand their customers. Not just in the sense of a 'customer' but in the round, their whole human experience. Their needs, goals, objectives both financial and non-financial. Only with this depth of insight can coordinated and meaningful change happen.
- A robust response requires careful coordination across the organisation and will yield a range of positive outcomes not only for the organisation's customers, but also for the business.

\*Similar to the FCA consultation paper, we use terms 'consumer' and 'customer' to mean retail clients who are within the scope of its proposals. 'Consumer' is used when talking about the wider group of those who use financial services. 'Customer' is used when talking about an organisation's customers or potential customers.

# But first, what exactly is 'vulnerability'?

Well, we can all be vulnerable.

# 46%

of adults in the UK display one or more characteristics of financial vulnerability.

This has been exacerbated by the COVID-19 pandemic.\*

Vulnerability is far reaching. It is fluid, dynamic and generally comes in three forms which we all might experience, at any given moment:



## Chronic

A consumer may have a long-term condition or experience a change in their life that increases their vulnerability (e.g., on-going physical or mental health conditions such as loss of sight, memory or cognitive abilities, personality traits such as low trust)



## Sporadic

Vulnerabilities or situations which may come and go throughout a consumer's life. Un-expected life events can increase someone's vulnerability. (e.g., periods of intermittent stress, physical accidents leading to temporary impairments, job loss, family situations such as bereavements or divorce)



## Contextual

Certain contexts or environments may trigger characteristics, behaviours or create situations for increased potential for harm. These contexts can be cultural, location based, situational, or mental (e.g., living in a foreign country, high-stress or distracted environments)

"Vulnerability can come in a range of guises... it is a fluid state that needs a flexible, tailored response from firms."

- The FCA\*\*

## But vulnerable to what?

Many characteristics and, most importantly, behaviours can make us susceptible to circumstances of vulnerability.

These could increase vulnerability in two different ways related to finances:

Which can result in:

### Examples of characteristics include:

- Physical disability
- Cognitive disability
- Severe or long term illness
- Mental health conditions
- Low income, or high debt
- Too young
- Too old
- Too trusting
- Too sceptical
- Too impulsive
- Too risky
- In education
- Self-employed
- Retired
- Unemployed

### Monetary vulnerability



Someone's risk of falling into financial difficulty due to financial shock, or an unexpected event.

### Financial vulnerability



Someone's ability to make decisions in their best interest and access products and services that work for them.

### Negative outcomes and potential harm



In its finalised guidance for the Fair Treatment to Vulnerable Customers, the FCA defines harm as things like:

- Financial exclusion
- Difficulty assessing services
- Disengagement with the market / partial exclusion
- Inability to manage a product or service
- Over-indebtedness
- Buying inappropriate products or services and exposure to mis-selling
- Scams and financial abuse

## Understanding this is key to tackling the challenge at hand.

\*<https://www.fca.org.uk/publications/research/financial-lives-2020-survey-impact-coronavirus>  
\*\*<https://www.fca.org.uk/publication/occasional-papers/occasional-paper-8-exec-summary.pdf>

# Consumer Duty is an extended evolution towards the *customer*.



From

- **Identifying customers who are vulnerable** and making efforts to ensure they are carefully and appropriately treated.
- **An understanding of product journeys:** How a single customer enters and uses a single product with a single brand.



To

- **Helping all customers** achieve their financial goals, ensuring 'good outcomes' and avoiding harm in the provision of an organisation's products and services.
- **Designing product and service experiences which take into account customer decision journeys and scenarios:** How a customer understands their own needs, goals and assesses a whole market of potential products and services to make a decision.

## This shift is fundamental and requires action.

But it is a complex and far-reaching challenge that raises a number interrelated questions which impact all parts of an organisation and how it engages with its customers and the market.

### Products and services

Are products and services designed in a way that clearly meet the needs of the audience being served?

Does the customer segmentation approach ensure that appropriate products and services are made available that suit customer needs?

Are there mechanisms to ensure continued product fit throughout the customer lifecycle?

Are service standards met where products and services are delivered by a third party?

### Price and value

Do organisations know what their customers consider to be of value?

Is the value of products and services to customers articulated, beyond cost?

Can it be evidenced that customer product choices meet their needs and represent good value to them?

Can existing customers access products at the same price as new customers?

Is the presentation and pricing of products delivered by third parties controlled and managed?

### Consumer understanding

Do communications enhance customer understanding and are product and service benefits and costs clear and transparent?

Are communications written in plain language, appropriate to all audiences understanding and distributed in a way which is accessible to all?

Is product and service information surfaced to customers in a way that facilitates good decision making?

Is product and service information made available to customers at the point of informational need and in the appropriate channels or formats?

### Consumer support

Is it understood how customers want and are able to engage with the organisation's products and services?

Are there sufficient mechanisms in place to identify vulnerable customers before the point of harm?

Are customer servicing channels accessible and inclusive?

Are there servicing channels aligned to customer's needs and preferences which help them achieve their goals?

Is service friction, where used, only in place for the benefit or protection of the customer and not their detriment?



## To find the answers, start with human insight ...

**Organisations will not achieve compliance with Consumer Duty without demonstrating they can 'walk in their customer's shoes'.**

This means they must have a robust understanding of their current and prospective customers. This goes beyond segmentation and demographics. They must capture this understanding and build offerings around how customers experience their products and services along with the multitude of options customers have in fulfilling their needs goals and objectives.

## ... which is then translated into meaningful business change.

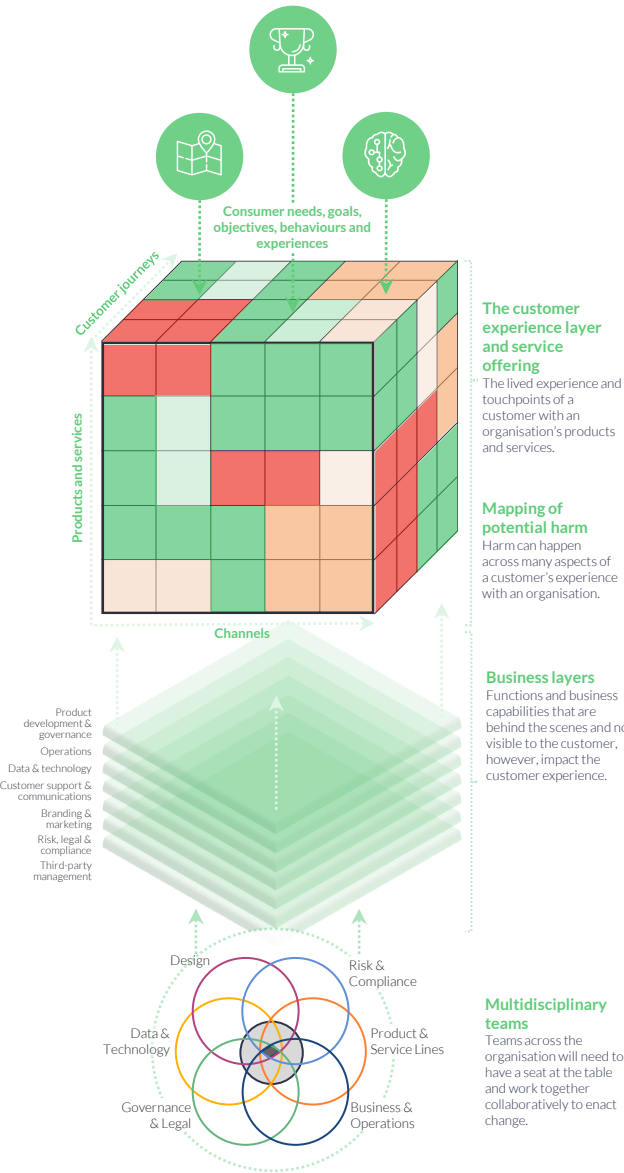
**Meaningful change that meets the principles of Consumer Duty will not happen unless the business is holistically customer-centric.**

This means change is driven top-down by customer need, and cascades to all aspects of the business. It requires coordination across product and service lines, channels and business units. This will disrupt traditional ways of working and require challenging customer oriented business decisions.



# A robust response to Consumer Duty combines four key elements.

These four elements produce a strategic and coordinated change programme across an organisation. They supply the requirements to build preventative and cohesive customer-centric experiences and interventions which reduce the potential for harm and lead to better consumer outcomes.



## 1 Orient around customer needs, life goals and objectives

Unlock qualitative human insight to identify what role an organisation's financial products and service propositions should and do play in a customer's life. This means gaining an understanding of each customer's true need so organisations can help them achieve it and realise good outcomes.

Structured, well orchestrated research and human insight gathering, to see beneath the surface. Needs and goals can be unsaid or unknown by customers. Mindsets are internal, fluid, complex and nuanced. They influence a customer's mood, decision making capabilities, behaviours and actions. Needs, goals and mindsets are usually inaccessible through traditional process and data analysis.

## 2 Understand customer behaviour in the market

Gain an understanding of how customers behave and make decisions, choosing among the product and service options available to them. This demands careful review of current product and service experiences to understand how customers navigate through them and make decisions.

Customer journeys track the steps, decision-making journeys map the why. Customer journeys orient around the process, more than around a consumer's internal experiences and how they make the decisions that drive their behaviour and action (or inaction) relating to their finances.

## 3 Identify vulnerability and the potential for harm

Build a deep organisational understanding of vulnerability and how and where it can increase the potential for customer harm in the product and service ecosystem. Vulnerability is nuanced, fluid and complex which means a service response should be flexible and robust across nearly every aspect of customer touchpoints and an internal business operating model.

Map the potential for harm against customer touchpoints, forming the basis for future requirements and prioritisation activities. This can only happen if organisations understand customer's needs, goals and objectives and how they go about achieving them in their daily lives.

## 4 Build cohesive customer experiences, interventions and business operations to support

1, 2 and 3 serve to identify and prioritise journeys and experiences which require change. They unlock the requirements for a coordinated change programme across an organisation that can be kicked off fresh and embedded into current and future organisational priorities.

This change will focus on designing, building and enhancing cohesive customer experiences and interventions that reduce the potential for harm, oriented around consumer needs and outcomes.

## Change is needed across many aspects of the customer experience and those business operations that support it.

It will require multidisciplinary teams across the business to activate and realise meaningful change which focuses on better outcomes for customers.

### Unlock the capacity to deliver change with capability in:

- Ethnographic customer research**  
A form of qualitative research that observes human behaviour in real environments. They must be robust, rapid and continuous in order to embed a deep understanding of customers and human insights into agile programmes.
- Customer journey and decision-making mapping**  
A deep understanding of human behaviour and how that translates into journeys and decisions in and outside of an organisation.
- Complex proposition and service capability mapping**  
Deep strategic customer proposition development and service ecosystem mapping, which allows an organisation to understand how the moving parts of its business impact and enable a cohesive customer experience.
- Intervention and coordinated change design**  
The design of cohesive interventions and design centres of excellence which allow organisations to work through strategic business change, effectively.

## So what does this change actually mean?

Pursuing this change will lead to several positive outcomes – for both customers and organisations – including:

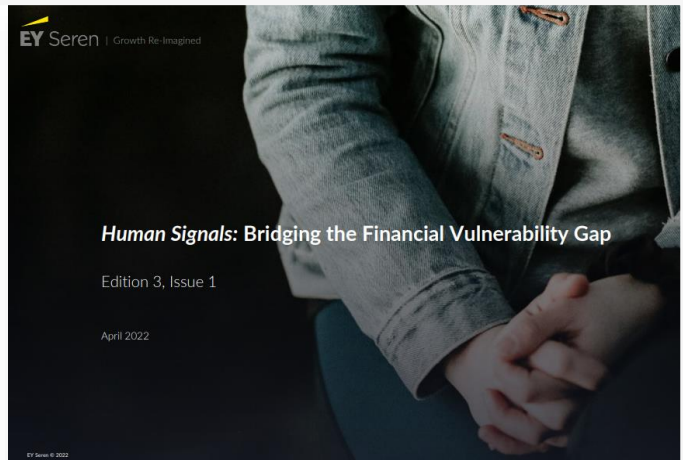
- ✓ Better relationships with customers, centred on their wellbeing, needs, goals and long term value. This can translate into business growth and potentially cost savings, as fewer customers fall into financial detriment.
- ✓ An improved customer experience. Simple, cohesive, confidence-building and valued propositions that meet the needs of customers, helping them achieve their financial goals and objectives.
- ✓ A shift away from transactional, oppositional relationships with customers to a more trusting and trusted, mutual style of relationship, bringing benefit and growth to both.
- ✓ Compliance with the *spirit* of regulator expectations, grounding every dimension of the business on robust customer-centric principles and concrete customer outcomes.
- ✓ A more efficient and agile product and service delivery model. One based around the customer, breaking down business silos and organisational constraints, leading to faster innovation and better business outcomes.

**Consumer Duty is so much more than a compliance exercise. It's an opportunity to challenge and re-imagine the role financial service experiences can play in everyone's lives.**

Looking for deeper insight into financial vulnerability and Consumer Duty?

**Access our full research report**

**[Bridging the Financial Vulnerability Gap](#)**



## Questions? Comments? Need help? Reach out.

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