

CUSTOMER VULNERABILITY AND DEBT COLLECTION:

**HOW TO IDENTIFY AND SUPPORT
VULNERABLE CUSTOMERS THROUGH THE
DEBT COLLECTION PROCESS.**

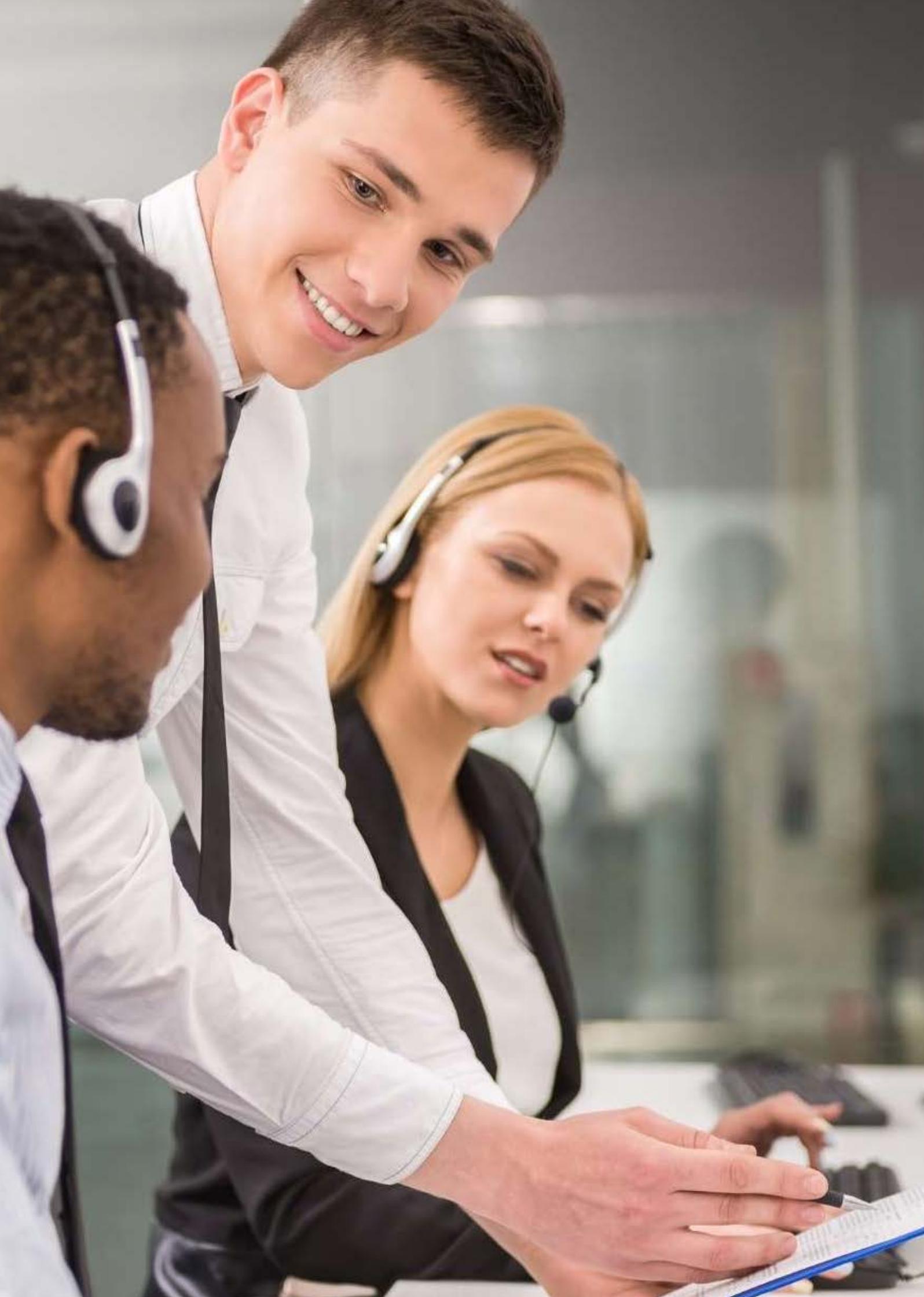


CHAPTER 1: INTRODUCTION

Although securing fair outcomes for vulnerable customers has long been a concern for both the FCA and Ofgem, it has taken a global pandemic to really place it on the agenda of most unregulated businesses which are customer facing. This includes the debt collection and credit management industry, which although often touching customers when they are at their most vulnerable, surprisingly remains mostly outside of FCA regulation. With FCA authorisation only required to collect debt under credit agreements, consumer hire agreements and regulated peer-to-peer loans most inhouse and third-party collection teams have no formal requirement to develop and implement policies and procedures around customer vulnerability and the debt collection process.

It has never been more important than in the aftermath of the Covid-19 pandemic, that whether regulated or not, those in the business of debt collection establish processes to ensure vulnerable customers are identified and supported to ensure they achieve a fair outcome. It is without question that over the past 15 months more people than ever have suffered hardships which could make them vulnerable when entering the debt collection process, and in need of additional help and guidance. Indeed, all businesses should have a social obligation and ask themselves tough questions about whether they are truly inclusive of all their consumers, or whether improvements could be made to ensure everyone can achieve a fair outcome.

This eBook provides an overview of what constitutes a vulnerable customer and 7 key steps to help ensure they are identified and supported through the debt collection process.



CHAPTER 2: WHAT IS A VULNERABLE CUSTOMER?

We all have preconceptions about what vulnerability looks like – whether it is someone with mental or physical disabilities, the elderly and frail or the young. In fact, we all have the potential to become vulnerable – vulnerability can affect anyone.

The FCA define a vulnerable customer as “someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate care.”¹ Vulnerability can come in range of guises. It is usually a result of personal circumstances that lead to an individual requiring additional support to achieve a fair outcome. Vulnerabilities can be short-term, long-term, or permanent. They can even be intermittent, so that support is needed at some times, but not at others.

In its latest guidance consultation paper, the FCA has identified four key drivers which it believes may increase the risk of consumer vulnerability. These are:

1. Health – conditions or illnesses that affect someone’s ability to carry out day-to-day tasks.
2. Life events – bereavement, job loss or relationship breakdown.
3. Resilience – low ability to withstand financial or emotional shocks.
4. Capability – low knowledge of financial matters or low confidence in managing money (financial capability). Low capability in other areas such as literacy, language, or digital skills.²

¹ <https://www.fca.org.uk/publications/finalised-guidance/guidance-firms-fair-treatment-vulnerable-customers>

² <https://www.fca.org.uk/publications/finalised-guidance/guidance-firms-fair-treatment-vulnerable-customers>

These are factors which have affected more people than ever during the COVID-19 crisis and are likely to touch even more we emerge from lockdown into an uncertain economic climate. It therefore unsurprising that we have seen, and will continue to see, a significant increase of friends, family members, colleagues and consumers who need additional support. Indeed, whilst the FCA Our Financial Lives 2020 survey in February 2020 found that 46% of UK adults (24.1 million people) had characteristics of vulnerability. By October 2020, their Covid-19 panel survey indicated this had increased to 53%, highlighting that there were many more people who found themselves at greater risk of harm due to the pandemic and its effects.

Whether a customer is vulnerable, or not, must be assessed on a case-by-case basis and this assessment must consider the key factors which may make them susceptible to unfair customer outcomes. Outlined below are the factors the FCA have identified as potential driver for vulnerability:

Health	Life Events	Resilience	Capability
Physical disability	Retirement	Inadequate (outgoings exceed income) or erratic income	Low knowledge or confidence in managing finances
Severe or long term illness	Bereavement	Over indebtedness	Poor literacy or numeracy skills
Hearing or visual impairment	Income Shock	Low savings	Poor English language skills
Mental health condition or disability	Relationship Breakdown	low emotional resilience	Poor on non existant digital skills
Addiction	Domestic Abuse (including economic abuse)		Learning difficulties
Low mental capacity or cognitive disability	Caring responsibilities		Low or no access to help and support
	Other circumstances that affect people's experience of financial services eg, leaving care, migration or seeking asylum, human trafficking or modern slavery, convictions		

CHAPTER 3: HOW TO IDENTIFY VULNERABLE CUSTOMERS

Frontline, customer facing staff play an important role in early identification of vulnerable customers, and this can make a huge difference in customer experience and outcomes. It is therefore critical that your customer facing staff can quickly identify signs of vulnerability in any interaction. One of the established best practices for identifying vulnerable customers, is the CARE protocol which as an acronym outlines four areas for your staff to assess customers for potential vulnerability:

1. **Comprehend**

- Is the customer able to follow and understand the discussion taking place? Signs that the consumer doesn't understand might include:
- Long pauses, asking for information to be repeated, giving the wrong responses

2. **Assess**

- Is the customer able to work out what they are being told?
- Do they ask unrelated questions, making irrelevant points or provide confusing responses to questions?
- Do they repeat words or phrases, suggesting that they do not feel like they are being understood?

3. **Retain**

- Is the customer able to retain the information you give them?
- Do you have to repeat what you have said frequently?

4. **Evaluate**

- Is the customer able to properly express, explain or communicate their decisions?
- Are they genuinely contributing to the discussion or merely agreeing with what you are saying?

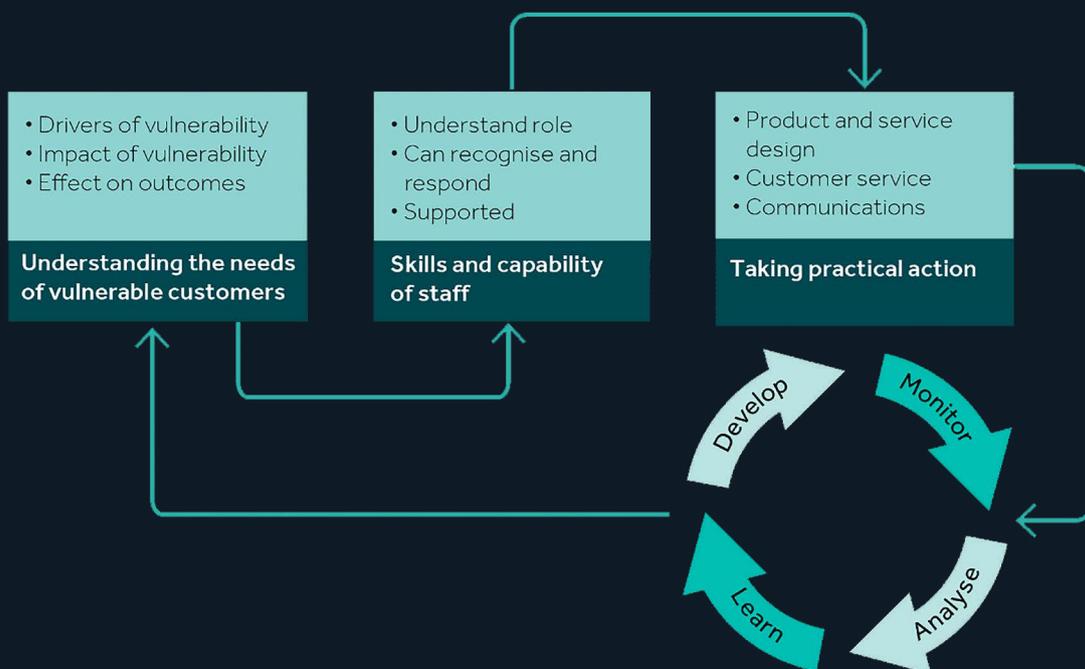
In addition to the CARE protocol other signs for staff to look out for include:

- Self-identification - "I can't read small text" or "I'm really worried about xxx"
- Abnormally emotive or illogical behaviour.
- Statements such as "My partner (or caretaker) dealt with all these things for me" or "I'm not sure I should be speaking to you without my carer present."

Once a vulnerable customer is identified, there should be an established process for both recording the vulnerability and developing an action plan to ensure the customer receives the additional support required to achieve a fair outcome.

7 STEPS TO HELP BUSINESSES IDENTIFY AND SUPPORT VULNERABLE CUSTOMERS THROUGH THE DEBT COLLECTION PROCESS

The *FCA Finalised Guidance For Firm On The Fair Treatment of Vulnerable Customers* identifies three areas which are essential for firms to consider when building a vulnerable strategy as outlined in the below diagram.



<https://www.fca.org.uk/publications/finalised-guidance/guidance->

For businesses which are just starting out building their customer vulnerability strategy, we have broken these down further into 7 steps a business should take to ensure that vulnerable customers are identified and then effectively supported through the debt collection process. These are by no means exhaustive but should provide a framework to help your business move to a customer centric model which ensures fair outcomes for all customers.

STEP 1: ESTABLISH VULNERABLE CUSTOMER POLICY

It is important to have a written policy which outlines your businesses approach to customer vulnerability. If you want your staff to take it seriously, then so must you as a business. Everyone needs to be clear what good looks like, what is not acceptable and to be held accountable when they fall short. Your policy should:

- Set your policy objectives
- Define what constitutes a vulnerable customer.
- Set out how customers will achieve a fair outcome (customer action plan)
- Outline the measures that will ensure adherence to the Vulnerable Customer Policy across all levels of the business.

Sample Policy Objective

At (*your company name*) we believe in fair outcomes for all. The (*your company name*) Vulnerable Customer Policy sets out our approach to identifying and interacting with vulnerable customers to ensure we deliver everyone a fair customer outcome. A fair customer outcome does not relate simply to the avoidance of financial detriment, but also covers instances which cause or could cause unnecessary distress and inconvenience.

STEP 2: BUILD STAFF TRAINING PROCESS

For any policy to work it is critical that staff understand and have empathy for those in vulnerable circumstances. At Barratt Smith Brown, all new staff, whether they are customer facing or not, take part in small group workshops in which we discuss:

1. How their role and actions affect the fair treatment of vulnerable customers
2. The types and characteristics of vulnerability which might affect our consumers
3. The impact a consumer's vulnerability could have on their customer experience / outcome.
4. How they can identify vulnerability
5. Some of the steps they can take to ensure different customers with different vulnerabilities achieve fair outcomes.

The information covered in these workshops should be always accessible to all employees so they can use it to inform their decisions when dealing with potentially vulnerable customers to ensure they achieve the best outcome possible. This could be via their employee handbook or intranet system.

STEP 3: ADAPT COMMUNICATION STRATEGIES

Vulnerability may affect a customer's level of understanding, ability to retain information or make informed decisions. To ensure consumers really understand the options available to them and the consequences of their decisions within the debt collection process, it is critical to ensure you deliver your customers:

- a. Easy to understand jargon free communication
 - i. All communication with customers should be as clear as possible leaving nothing open to interpretation. This should be in all communication whether written or verbal.
- b. Access to information
 - i. Consumers should have easy access to information to help them understand, and therefore make the best decisions, about their debt position. This can be done through a consumer help and support section on your website which provides consumers with information regarding the debt collection process, links to organisations who can provide debt support as well as some FAQ's or through sharing other third-party websites.
- c. An omnichannel approach
 - i. It is critical to enable people to communicate with you in the mode they feel most comfortable. A key part of that remains the phone - which is still preferred method for most and particularly for those who may be older or have low literacy, trust or disabilities.
- d. Flexibility to use third party representation
 - i. Customers who are vulnerable may ask for a third-party representative to act on their behalf, to both notify you of vulnerable circumstances or to act as an intermediary if disabilities provide a barrier to understanding.
- e. Alternative communication methods
 - i. These could include Braille or Large Print and should also be accommodated where possible to remove access barriers.

STEP 4: ESTABLISH A VULNERABLE CUSTOMER'S ACTION PLAN

Once a customer has been identified as being potentially vulnerable there needs to be an agreed process or action plan which outlines the next steps that will be taken to ensure they achieve a fair outcome. Established within the process should be:

1. How to record identified vulnerability.

Once a customer is identified as vulnerable, this should be highlighted on their customer record. This will ensure that all future contact from your business can be adjusted to meet the identified needs of the consumer.

If a non-customer facing colleague, who doesn't have access to the appropriate systems identifies a potential vulnerable customer, there should be an established procedure outlining whom they report their concerns to ensure appropriate records are updated and the customer receives the necessary support.

2. The recommendation for additional support required.

Once a vulnerability has been identified and recorded, by either working together with the customer to agree the support they require, using strategies your business has identified as having the potential to support customers in similar circumstances or through the agent's initiative and common sense, the steps required to ensure the customer will achieve a fair outcome should be highlighted on their record. For example, if it has been identified that the customer has low level literacy and therefore all future communication should be handled over the phone – this should be clearly marked on their customer record to avoid the inconvenience and embarrassment of further written correspondence. Or if all correspondence is to be copied to a carer or support worker – this should also be noted and actioned.

3. Next steps necessary to ensure delivery of outcome

It is very easy for someone who is vulnerable and who is balancing competing priorities to forget to follow up and to potentially drop off the radar. Once a customer has been identified as vulnerable it is critical to realise that standard timelines might not apply, and that following to conclusion will probably take more effort than usual. This again should be highlighted on their customer record to ensure any future correspondence takes this into consideration. Any reminders should be sympathetic not aggressive.

4. How customers will be reviewed

Customers who have been identified as vulnerable should be offered regular reviews at intervals appropriate to their circumstances to establish whether their classification and treatment continues to be appropriate.

5. The escalation procedure

Individual cases where vulnerable customers are at risk of an unfair outcome with situations that fall out of existing policy / procedure should be escalated an agreed team /senior management for review.

5: SIGNPOST EXTERNAL SUPPORT

Whilst a business should provide whatever support it can to vulnerable customers to help them achieve a fair outcome, within the parameters of the business it is important that staff understand they are not rescuers. It is key that all customer facing staff understand where consumers can get additional help and signpost them appropriately towards it. Details of the leading debt support & advice charities could be included on the company website and in a format which can be either emailed or posted to customers.

6: DEVELOP STAFF SUPPORT PROCESS

It is critical that your customer facing agents have access to support to help them identify and implement appropriate customer treatment. Due to the wide range of customer vulnerabilities, it is very likely that staff will come across someone who they may struggle to find the appropriate path for or indeed may find distressing themselves. Support should always be available without judgement.

7: MONITOR AND REVIEW

Customer facing agents calls and correspondence should be regularly monitored to ensure all customers are receiving appropriate and fair treatment. These should be reviewed from two perspectives:

1. To understand effectiveness of established processes and identify areas for improvements
2. To ensure all staff are fully meeting the vulnerable customer's needs

If there are issues within staff handling of vulnerable customers which may put them at risk of unfair outcomes these should be highlighted, and appropriate training and support given. If following intervention and support a staff member continues to fail to identify and support vulnerable customers, they should enter your standard formal review procedure for failure to adhere to company policy.



CHAPTER 5: CONCLUSION

In February 2021 the FCA released its finalised guidance on the fair treatment of vulnerable customers. Whilst ensuring fair outcomes for vulnerable customers has long been a key focus for the FCA, the FG21/1 Guidance makes clear that customer vulnerability should be considered across every part of the business, and that regulated firms will be held accountable to the standards set by the FCA Principles and Rules. Whilst still only holding regulated companies to account, the guidelines clearly highlight how the principles are applicable to all businesses and, as with the FCA Treating Customers Fairly Principle, are highly likely to become the accepted standard across all industries.

Despite the lack of formal regulation there has been a gradual move towards more responsible debt collection strategies across most of the industry. This has been driven by the growing understanding that market share is just as likely to be won on customer experience than on product and price and improved understanding of how and why people get into debt. It is now widely accepted that the majority of people do not accumulate unmanageable debt out of choice, and that when they do, they would far rather settle it if given the opportunity and means. This has led to a shift towards finding ways to help the consumer resolve their debt position rather than just collect on it.

However, this shift in corporate priority will not address the needs of the most vulnerable and any business whether B2B or B2C has a responsibility to build strategies to help support vulnerable customers into their policies and procedures.

The above 7 steps should help any debt collection team:

- Ensure their staff have the right skills to recognise and respond to the needs of their vulnerable customers
- Have the communication, customer service and established processes in places to ensure vulnerable customer needs are met.
- Implement their customer vulnerability strategy across the business and then monitor and assess whether they are meeting and responding to the needs of customers with characteristics of vulnerability, and make improvements where this is not happening



CHAPTER 5: ABOUT THE AUTHOR

Ashley Barratt, CEO Barratt Smith Brown.



In under 5 years, Ashley has built Barratt Smith Brown from 2 full-time employees and one contract into a significant player in the UK outsourced credit and collections scene. Utilising the business expertise gained during 15 years at Centrica, where Ashley was instrumental in establishing the collections systems, risk analysis and collections processes for One-Tel, The AA, Goldfish and British Gas Services, he has developed a unique

outsourced receivables management service offering. By understanding his clients' unique commercial needs and objectives, Ashley and the BSB team specialise in providing each customer with a bespoke service, focusing on delivering results but whilst respecting their individual brand and customer relationships and well-being.

CHAPTER 6: ABOUT BARRATT SMITH BROWN

Leicester based Barratt Smith Brown, has already established a strong reputation for providing market-leading debt collection support to the utilities sector. Leveraging CEO Ashley Barratt's 15 years of experience at Centrica, they have not only provided outsourced support to key industry players such as Business Stream, Bristol Energy and Shell, but have taken a lead role in managing collections for UK energy administration collections – handing over 75% of energy administration cases since 2018. Their expertise in energy administrations led to their key role in helping The Citizen's Advice Bureau develop their *Supplier of Last Resort – Good Practice Guide*.

In May 2021 Barratt Smith Brown announced a new partnership with 4D Contact. Combining the Barratt Smith Brown consumer collections expertise with 4D Contact's extensive experience in international commercial credit control and debt collection to offer clients a full-suite of market leading credit management services to meet any business need.

Please click [here](#) further industry insights from Barratt Smith Brown.