

White Paper - Consumer Vulnerability



improving the customer experience through industry leading practices and procedures

Vulnerability can come in a range of guises, and can be temporary, sporadic or permanent in nature. It is a fluid state that needs a flexible, tailored response from companies. Many people in vulnerable situations would not diagnose themselves as 'vulnerable'.

Vulnerability can have a severe impact on a customer's ability to deal with their finances. It is important that vulnerable people are given the time, space and support for them to deal with their situation.

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Since the early 90's the Health and Social Care sector has taken many necessary steps to ensure that vulnerable people – the elderly, those suffering a mental illness and the disabled (including those with learning difficulties) are protected from abuse and have access to the care and treatment they need and deserve via the implementation of innovative and person-centered policies in the areas of health care, welfare provision, housing and education. However, we as a society continue, whether intentionally or otherwise, to perpetuate a 'disabling' culture by not rolling out these principles to those institutions that permeate and govern our everyday experience, ensuring that equality is more than just a prima facie buzz-word that gives the observer a superficial confidence that all is well with the world, whilst in reality the old 'business as usual' attitude remains the order of the day.

The business model of welfare provision conceived of by the visionaries of the post-war era: The Disability Discrimination Act (1995), the Mental Health (Patients in the Community) Act (1995), the Community Care (Direct Payment) Act (1996), the Disability Living Allowance and Disability Working Allowance Act (1991) – to name but a few – were shining (triumphant almost) examples of a fundamental change in attitude toward the vulnerable person. This paradigm shift now focused on how institutional inequalities, that perpetuated the marginalisation of vulnerable people, could be challenged and ultimately overthrown and replaced by more person-centered policies. The archaic - often draconian - relationship between the elite and the proletariat, the 'haves' and the 'have-not's', steadily evolved into a more complementary arrangement. For example, in the instance of health care the doctor/patient relationship became more of a customer/provider and the recipient being given more parity.

Invigorated by this series of victories, the champions of change, equality, inclusivity and, of course, human and civil rights, rallied to take things further; to break down the next barrier. They argued, successfully, that, just as the individual patient/service-user had been granted more autonomy in matters related to their health and welfare (and the consequent requirement for the service providers to adapt their business models and mission strategies to be more accommodating to their needs), the same effort should be made to alter the very infrastructure - the physical contours

– of society also, to be more considerate and obliging at the planning stage of construction and, moreover, to focus on making the existing architecture more accessible to promote, enable and further empower the person to achieve full citizenship and independence (Drake, 2001).

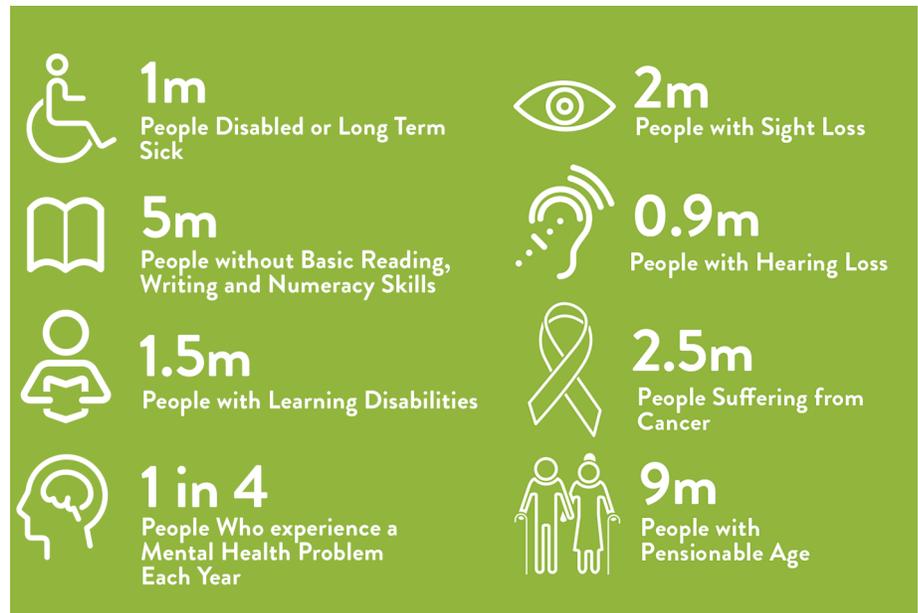
In more recent times there has been a growing interest and concern with regard to vulnerable individuals as consumers of financial goods and services, in as much as it has been identified that vulnerable customers have been found to be at significant risk of being drawn into, or frozen in, a cycle of poverty. More worryingly it is increasingly apparent that debt has a significant detrimental effect on the vulnerable and indeed exacerbates the symptoms of their particular vulnerability(ies). Sadly, where this is the case, we do the individual a great disservice. Moreover, where and when a company fails to recognise and respond appropriately to a customer's vulnerability, they inevitably fail to maximize their reputation and their profits.

Within this paper we will consider the size of the problem of vulnerable customers struggling with debt. We will also look at the issues that vulnerable consumers face, potential causes and effects and how these can have a negative impact not only on the debtor, but also the creditor too. Finally we will offer steps for the creditor (or third party) to take to ensure they are providing a person-centered, fair, safe and successful service. Please note that, as the spectrum of vulnerability is so broad, the main focus will be on mental health, however, as the suggestions for best practice are principle based, they are easily and effectively adaptable to the majority of customers.

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In a survey published in 2017, the FCA reported that a staggering 50% (25.6 million) of UK consumers show characteristics of one or more vulnerabilities that may put them at risk of harm. However it is also worth noting that these vulnerabilities do not necessarily mean that harm will actually occur (Financial Lives Survey, 2017).

Broken down into categories of vulnerability it is noted that 4 million UK consumers live with diabetes, 850,00 live with dementia, 500,000 suffer with epilepsy, over 360,000 are diagnosed with cancer and another 137,000 suffer from Parkinson’s disease. 1 in 4 consumers experience some form of



mental health issue., 1 in 10 struggle with dyslexia and another 1 in 600 endure the effects of multiple sclerosis.

The FCA also estimates that 8% of the population are in debt (13% of whom are in the 25-34 year old bracket) and have failed to fulfill their financial obligations in the past three to six months.

A significant contributing factor to the impact on mental health disorders, from feelings of anxiousness to more profound diagnoses such as schizophrenia, was found to be a lack of support from creditors.

Let us explore the effect that debt has on mental health and how mental health influences a person's likelihood to get into debt.*

In 2010, a study conducted by The Royal College of Psychiatrists observed that in mental health disorders, from feelings of anxiousness to more profound diagnoses such as schizophrenia, a significant contributing factor was found to be a lack of support from creditors. Moreover it was found that anxiety over debt-related issues negatively affected the quality and quantity of sleep of the individual. This in turn had a knock-on effect on other areas of well-being, such as energy levels, performance (academic, professional etc.) and family life. Not surprisingly these consequences themselves contribute to an individual's chances of going into debt, thus creating and perpetuating a vicious cycle (Fitch, Hamilton, Basset, Davey. 2010. 'Debt and Mental Health: What Do We Know? What Do We Do?').

More disturbing is the potential that these feelings of anxiety escalate to hopelessness and ultimately thoughts of suicide. A study of adults in England (2007) showed that 1.8% of men and 7% of women had experienced suicidal ideation over a 12 month period. Importantly, it was found that, where all other contributing factors were controlled, those who were in debt were twice as likely to harbor these thoughts (Meltzer, H & Bebbington, Paul & Brugha, T & Jenkins, Rachel & McManus, Sally & Dennis, Michael. (2011). 'Personal Debt and Suicidal Ideation. Psychological Medicine').

In order for a given company to ensure they are acting responsibly, i.e. with a duty of care to the (potentially) vulnerable individual, they must consider the personal experience of the vulnerable customer.

As can be imagined the experiences of the person with mental health issues are as numerous as the individuals themselves. In part because these experiences are somewhat subjective and also due to the simple fact that mental health is a spectrum. However, emphasis will be given to some of the most commonly stated experiences that give a good illustration of the issues at hand and how they can be responded to appropriately.

Many customers suffering one or more mental health issues remain apathetic to their debts, ignore attempts of creditors or their delegated third parties, to gain contact to resolve the issue; finding themselves further along the process and the potential therein to increase indebtedness, face bankruptcy, lose their home/personal possessions and/or face court action (Mind. 'In The Red: Debt and Mental Health', 2008).

*Please note that, for conciseness, when the term mental health is used the author intends to encompass the entire spectrum of mental health: bipolar, schizophrenia, PTSD, anxiety/depression etc.

Based on those findings it seems reasonable to conclude, that when a vulnerable customer is behind with their bills and has entered the arrears process, they are at their most fragile, most susceptible to harm/abuse and at risk of experiencing a heightening of their particular symptoms. Historically the major failure of companies has been to ignore or steer away from these issues. Needless to say this only compounded the issue for both parties (Mind, 2008).

So what do we really know about the emotional psyche of our customers in a vulnerable situation? Whilst this paper focuses on Mental Health to illustrate this point it is useful to understand the impact of a more widespread physical illness that can have a profound mental health impact.



There are more than 360,000 new cancer cases in the UK every year. Synergies of the emotional psyche of customers coping with mental health or cancer include;



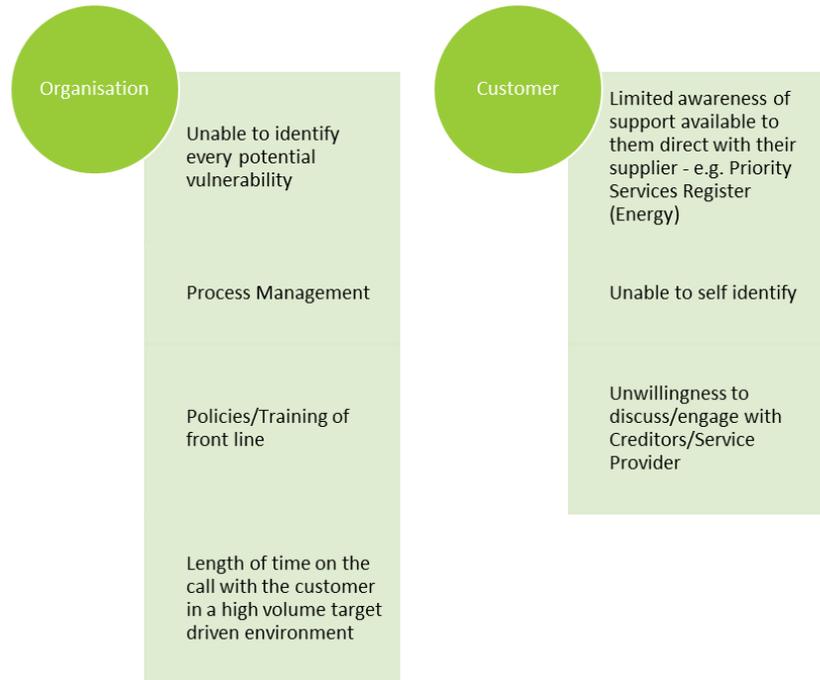
A customer can portray these emotions in isolation as well as an explosive cocktail.

Whilst cancer sufferers may have the same condition the strategy/approach cannot be the same. Coming to terms with the diagnosis will raise a number of emotions and these emotions are likely to change during and after treatment. When someone is trying to come to terms with the illness there is no right or wrong way to feel. Everyone is different and will deal with things in their own way. Like those suffering mental health issues cancer patients will experience days of positivity when they are able to cope, and others

where they are sad and anxious and finding coping hard. An individual's needs must be assessed solely on their situation and not be constrained by the condition itself so recognising the impact and level of vulnerability is critical. Assessment tools are useful to categorise but individuals who are skilled in the identification and assessment of vulnerability are pivotal. Gaining trust and working together with the individual to get the right outcome is achievable through listening, supporting and dealing with the issues.

During the all important first contact, the agent must ensure they convey to the customer that the discussion about to take place will be centered on them.

The consumer services industry face a number of challenges dealing with vulnerability along the customer journey. The Challenges vary from sector to sector and organisations, however in general key challenges included;



Whilst Identifying potential vulnerability has significantly improved, knowing what to do with that information to ensure that the right outcome is achieved, varies.

Industry recognises the need for regular engagement with vulnerable customers, however, organisations haven't really worked out what that means in practice. It is evident that regular engagement is preferred, especially in instances of 'short term vulnerability', however, organisations have difficulty meeting review periods they set internally. This results in vulnerabilities not being revisited in a timely manner and continue to roll on unchecked. A reasonable timeframe definition is generally based on the level of vulnerability.

Typically, organisations will 'ring fence' a customer once vulnerabilities have been identified so they can apply a different treatment. The treatment applied should be unique to the organisation, in so far as it must deliver the right outcome for the customer based on the product offering and the service provided. However, it appears that a more vanilla approach is being

adopted which typically consist of the following:

- Send the odd letter to acknowledge the customer's vulnerability and signpost to external agencies for impartial advice
- Place the account on hold
- Offer a moratorium for a set period of time

Organisations will be focusing their efforts on those customers who demonstrate they are in a position to meet or partially meet their contractual obligations. There needs to be more flexibility at the frontline to offer solutions that meet the immediate needs of the customer based on the customer's circumstances at that time. More often than not a solution can be found at first point of contact but to achieve that frontline staff need to have the skills to deal with the vulnerable. This is a problem facing organisations, particularly those with large multi-skilled customer facing teams.



The nature of the vulnerability can be universally difficult to deal with. Delivering a strategy to identify and manage vulnerability is problematic on its own, but add into that the complexity of integrating it into a high volume multidiscipline environment and you introduce some significant challenges.

Organisations have traditionally not met these challenges head on and have shied away from committing to the investment needed to make the necessary changes until they have been forced by their regulatory bodies to do so. The cost of change is always cited as a contributing factor but the true cost of not buying into the concept of effective vulnerable customer management could prove to be significantly more. Exclusion is no longer an option, inclusivity is an expectation.

Although, primarily, the objective is for both parties to fulfil their part of the bargain, it is recognised that for those most vulnerable a more elaborate and nuanced service is needed.

We have already seen that vulnerable customers could be experiencing an emotional rollercoaster and will be experiencing one or more of the following:

- Apathy
- Fear/anxiety/stress
- Anger
- Hopelessness
- Distrust
- Shame
- Harassed/victimized
- Failure
- Isolation

It is vital that the agent assume that the customer is experiencing one or more of these symptoms and base their approach on this, keeping in mind that the first contact will have a profound effect on the ensuing relationship and, consequently, on the outcome.

During the all important first contact, the agent must ensure they convey to the customer that the discussion about to take place will be centred on them, that there is already an understanding (even if basic at this point) of the customer's vulnerabilities and, ultimately, that their role is to help the customer reach a fair, achievable and realistic outcome. It also serves well to remember that there is a strong likelihood that the relationship between the provider and the consumer has broken down, most likely due to bad experiences with the company, particularly frontline staff, in the past. Therefore a primary aim of the agent should be to simply provide the customer with a positive experience and, hopefully, rebuild trust and confidence. This can be achieved by:

- Active listening
- Allowing the customer time to express their opinions
- Showing compassion/empathy when negative experiences are divulged
- Being thankful to the customer for sharing details
- Remaining positive, calm and professional
- Avoiding leading the customer
- Providing genuine choices
- Using humour if appropriate
- Being flexible (offering breaks from the discussion, providing time to consider options etc.)
- Allowing the customer to dictate the pace of the call
- Employing alternative means of communication (letter/email) if the customer desires
- Recognizing capacity issues and managing them appropriately

- Taking every opportunity to build trust and rapport
- Providing positive reinforcement where possible

An effective way to bring the customer into the process and provide opportunities to determine their own outcome (and the resulting feeling of accomplishment), is to use models such as the four-part 'Skilled Helper Model'. The four steps are as follows:

1. Current scenario. What are the current problems?
2. Preferred scenario. What do I need or want in place of what I have?
3. Strategies. What do I have to do to achieve this?
4. Action. How do I make this happen?

(Egan.1998. The Skilled Helper. p.24)

Assisting the customer in this way can have a lasting effect that stretches beyond the relatively brief encounter they have shared with the company, inasmuch as the agent can impart skills, such as action planning seen here, that can be of use in other life situations.

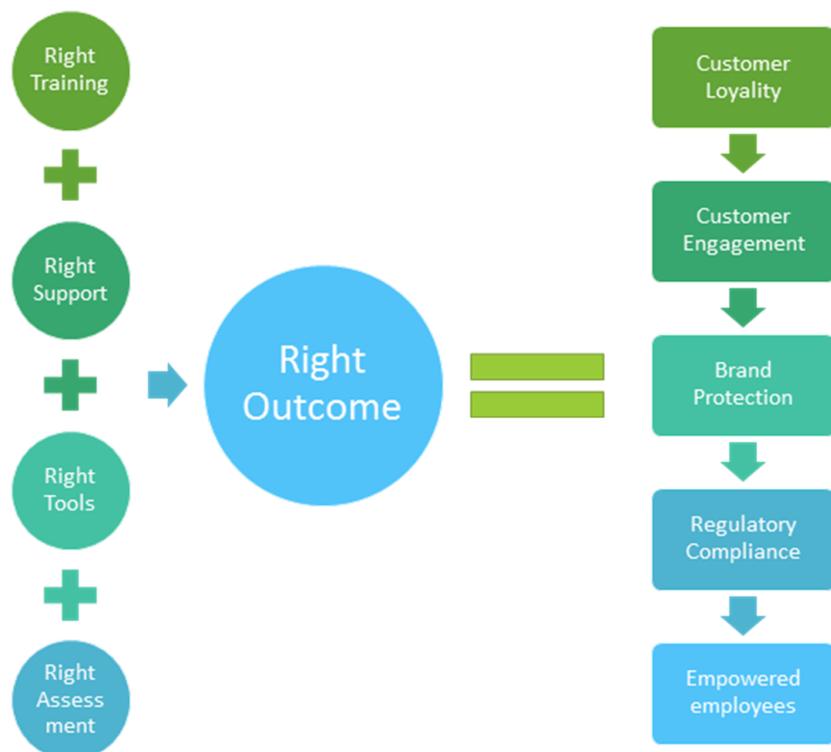
Employing these very simple techniques can and will radically alter the perception of providers and their suppliers, and will have a positive impact on both the well-being and rehabilitation of the customer.

We have seen that, slowly but surely, our society has taken great steps to promote the inclusivity, independence, health and well being of vulnerable individuals. This was not limited to issues of welfare (housing, health, education etc.), but eventually to financial and other societal institutions, ensuring that vulnerable people are treated with dignity and respect – as citizens – and get the support they need in all aspects of their daily lives.

A vulnerable customer isn't independently vulnerable across sectors. Their vulnerability, or rather how their vulnerability impacts their day to day life, is going to have an effect on each and every sector; normally at the same time. Getting to the problem early increases the chances of a sustainable solution.

Training, tools and strategies on their own will not ensure the right outcome. Organisations must develop effective policies and procedures and invest in the right systems, people and support to ensure that vulnerable customers get the most suitable solution.

It should be more widely recognised within organisations that vulnerability is not about the condition but the impact the condition has on the individuals circumstances.



Vulnerable Consumer (referred to as vulnerable customer, customer, individual) :

Someone who is unable to safeguard their welfare and the welfare of those dependent on them.

Debt Collection Agency (DCA): (In this case DCA's and third parties are interchangeable.) An agency that collects money from debtors on behalf of their client (provider).

Agent: One acting on behalf of a DCA .

Provider: Supplier of consumer products and services direct to the consumer

Supplier: Supplier of services to the provider



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