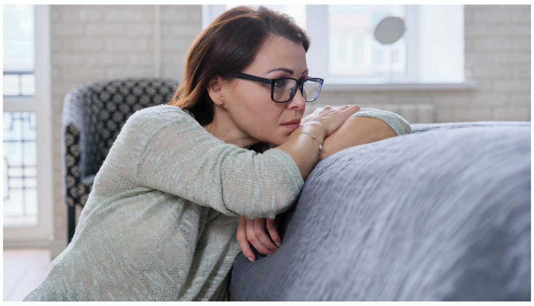
MorganAsh

Measuring vulnerability is more important than ever

Written by Andrew Gething

Measuring vulnerability is more important than ever



A *Although those organisations which provide financial services are usually mindful of the vulnerability status of customers, changes in the FCA's rules mean that most current methods of assessing consumer vulnerability may well be inadequate.*

Consumer vulnerability is a hot topic – one which is becoming even more important with the introduction of new guidance from the Financial Conduct Authority (FCA).

It is something that financial services organisations absolutely need to address – in a more objective, rigorous, and consistent way than is the general, accepted norm. This is because although most tests are (broadly speaking) for 'vulnerable or not vulnerable' – this simply is not the way vulnerableness works. Vulnerability is complex: it can be invisible or obvious; it can be commonplace or life-limiting; it can be temporary or lifelong. It is not binary.

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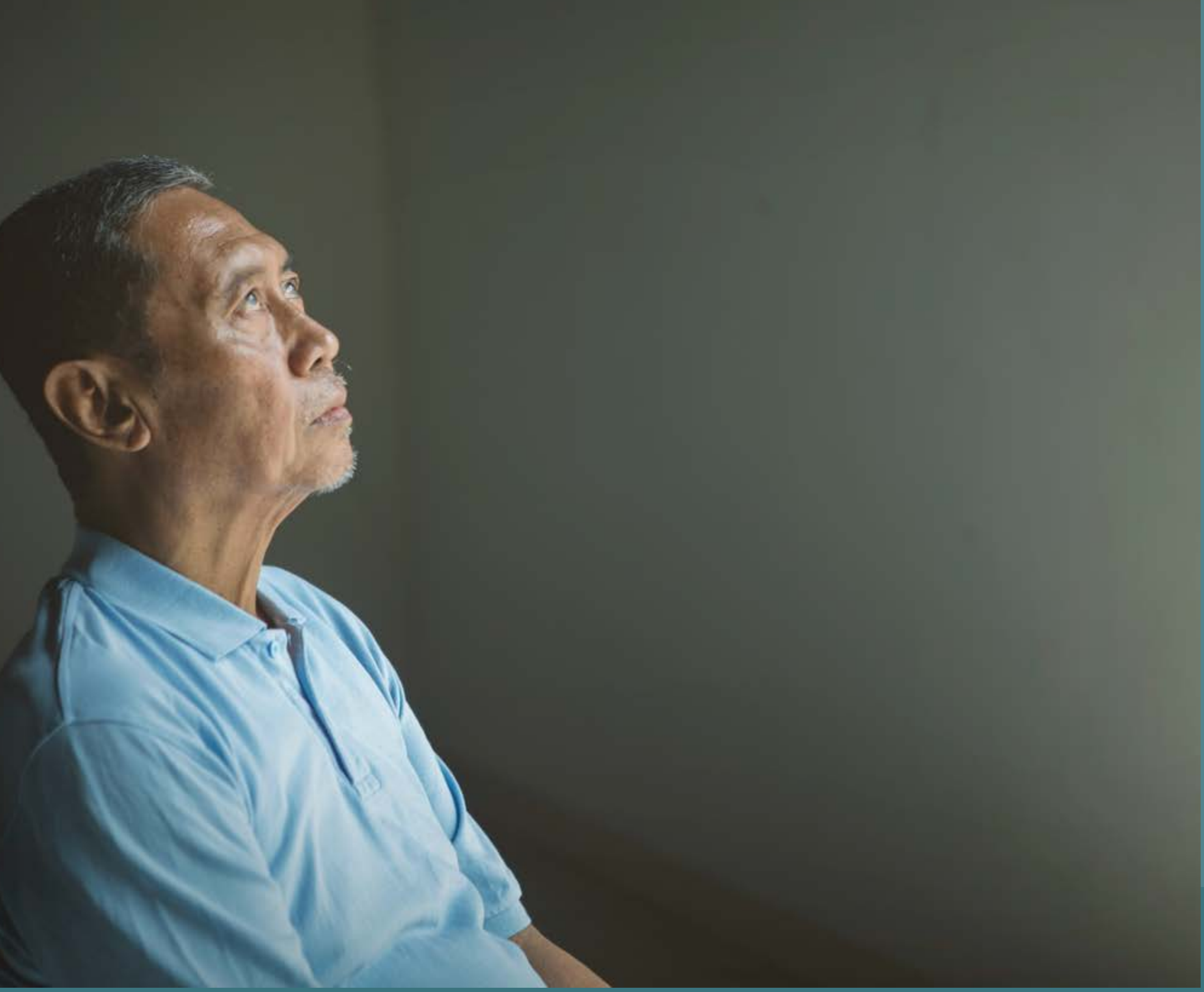

Almost half of the UK's population can be defined as vulnerable in some way – and there are 14.2 million adults with low financial resilience. Therefore, it is both prudent and right to assume that consumers may be vulnerable rather than assume the opposite. This is, in itself, something of a sea change – and there is a simple litmus test. Despite many organisations saying that they have processes in place to understand consumer vulnerability, it would be interesting to see just what percentage of their customer database is flagged as such.

The FCA first introduced the concept of vulnerable consumers in its Occasional Paper No. 8: Consumer Vulnerability, back in February 2015. The paper described a vulnerable customer as someone who, due to their personal circumstances, is more susceptible to harm – especially if a firm does not have the appropriate levels of care in place.

In February 2021, the FCA issued new guidance on vulnerability: FG21/1: Guidance for firms on the fair treatment of vulnerable customers. The guidance was issued within current rules. Then, in December 2021, the FCA issued a consultation paper – CP21/13: A new Consumer Duty. This is designed to raise the bar quite significantly. It introduces a new Consumer Principle (which will be in addition to the FCA's Principles for Business), with new rules to support it. This appreciably increases the need for financial services firms to embed best practice for working with the vulnerable – including the assumption that all buyers may be vulnerable – right into the heart of their culture, processes and systems.

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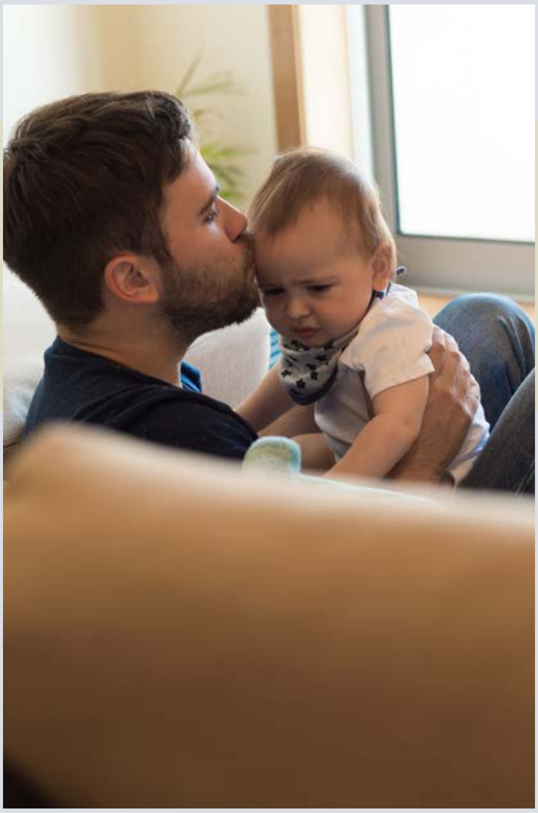
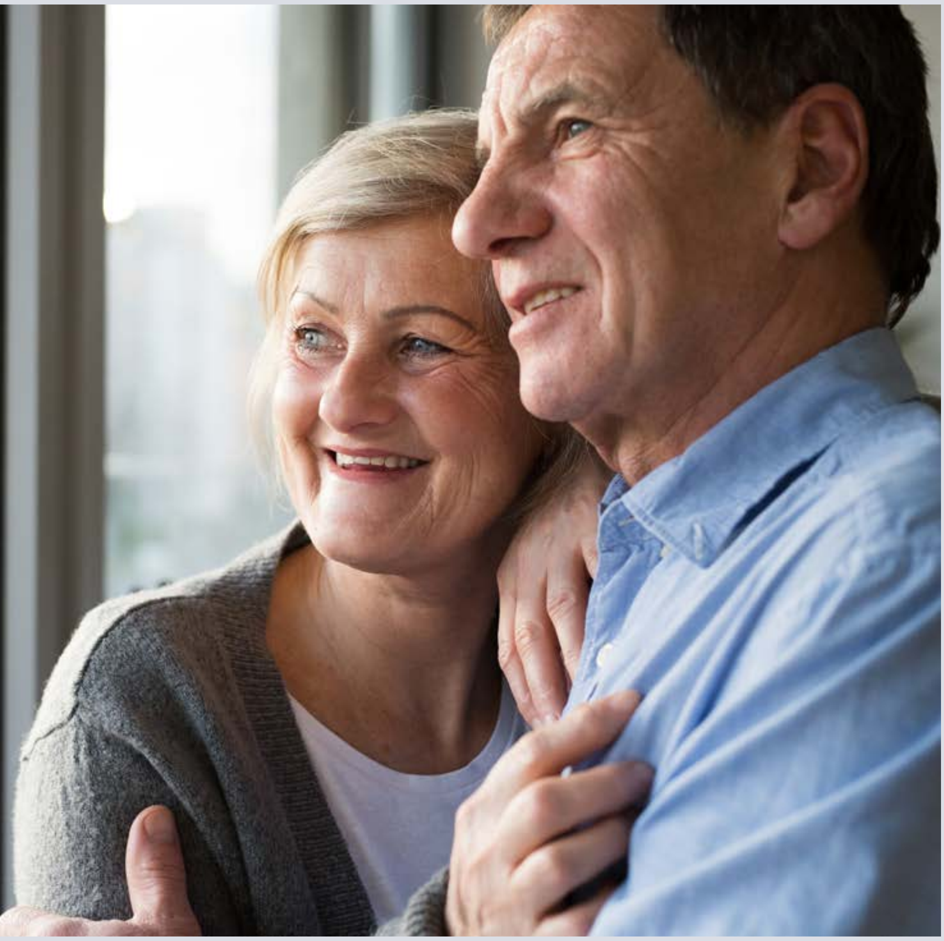


Some good work has been undertaken by firms to address this issue, but there is still much more to do – especially as the introduction of Consumer Duty massively raises the duty of care for how customers are treated. This will be supported by large-scale changes to the current regulations that cannot be ignored and for which few firms are currently ready. This means that a superficial screening will be inadequate – and firms will need to fully engage in understanding their customers.



Most firms have provided training to frontline staff, particularly with recommended protocols such as TEXAS, IDEA and CARERS. While training frontline staff is good, they are limited to verbal conversations and do nothing to record the characteristics and status of the consumer. Since Consumer Duty legislation requires firms to monitor the outcomes of their interactions with consumers, there is a real need to record vulnerability characteristics to understand any steps undertaken if, and when, an outcome will not, down the line, be in the consumer's interest.

Consumer Duty's cross-cutting regulation specifically requires firms to avoid any foreseeable harm to customers. To understand if harm was foreseeable or not, there must be records of the consumer's characteristics and vulnerability status right from the outset of any interactions.

Few firms, if any, are genuinely prepared to operate in this way – and they must ready, or significantly upgrade, their management of consumer vulnerability.

To help, MorganAsh has developed, from the ground up, an online system to assess, measure and manage the vulnerability status of customers objectively and consistently.

The MorganAsh Resilience System (MARS) provides three assessment methods: online, by adviser assessment, or assessment by a fully qualified MorganAsh nurse over the phone. These three options should cover all eventualities. MorganAsh uses its underwriting decision engine to assess consumers' characteristics and to provide an objective, understandable vulnerability rating – something not unlike a credit score. MorganAsh calls this a 'resilience rating' since the term 'resilience' has more positive connotations than 'vulnerability' – which should help when positioning the process with consumers.

As well as providing a superior service, MARS' easy-to-use online system ensures that firms comply with the FCA's vulnerability guidance and can demonstrate that compliance via a series of customised reports.

MARS can also be customised, for specific user-cases, and can integrate with many CRM (Customer Relationship Manger) systems out-of-the-box, with further integrations planned.

As well as helping to assess vulnerability, it can also track changes in vulnerability status.

Depending on the resilience rating, MARS can provide the required recommendations of next actions. These range widely, for example it can include signposting to charities and special interest groups, to directing the consumer towards additional processes and compliance checks. The recommendations can be configured by each firm to match their particular risk model.

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Financial services firms can try **MARS for free, for a month**, without restrictions. **Pricing is straightforward:** MorganAsh charges just for each adviser; administrators and paraplanners can access the system for free, and there is no limit to the number of consumers that can be added.