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Response to FCA consultation: *Guidance for firms on fair treatment of vulnerable customers*

Which?'s response to the FCA consultation: Guidance for firms on fair treatment of vulnerable customers

- Which? welcomes this consultation. There is evidence to suggest that vulnerable customers are being failed by firms, and these firms, incentivised by the FCA, must take steps to address this.
- **Financial services are not inclusive, and consumers are concerned about this only worsening in the future, especially in relation to digital exclusion.** Which? research has found a risk that if there is not robust oversight, the current market could exclude people - especially those who have poor digital access. We welcome the fact that 'poor or non-existent digital skills' is highlighted by the FCA as a key driver of vulnerability, but the fact that they link this directly to 'older people' does not reflect the breadth and scale of the issue as something that affects people of all ages.
 - Our research found that 56% of people identified themselves as needing support relating to digital capability if they had to bank online.¹
 - We also found that 74% of those with only basic digital skills are pessimistic about the increase in digital ways of banking and the decrease in the availability of high-street banking, compared to 45% of people with advanced digital skills.
- **A key barrier leaving many consumers isolated and vulnerable is unreliable internet connectivity, either because of poor infrastructure or a lack of affordability.**
 - A quarter (26%) of people believe that connectivity in their area is too unreliable to be able to rely on a smartphone or smart device for making payments.
 - A further 26% of people identified themselves as needing financial support in order to be able to get online for banking.
 - This guidance should address these gaps. It should emphasise the importance of firms doing what they can to ensure that consumers have the support and choice required to fully participate in banking, whether digital or otherwise.
- **Much can and should be done by firms to improve price transparency, and simplify pricing, for vulnerable consumers.** We know that all too often, complex pricing structures can leave consumers automatically discounting products that might be beneficial to them, as confusing language and structures pose a challenge to complete understanding. Price constraints, for example the pension charge cap, and price simplification have the potential to dramatically reduce consumer detriment. Price simplification also helps to increase competitive pressure by making it easier to

¹ Which? surveyed 1002 UK adults between 29th August and 2nd September 2019. Fieldwork was carried out by telephone by Populus and data have been weighted to be representative of the GB population (aged 18+).

compare prices for products across providers. Although the FCA rightly mention the importance of simplifying communications to help all consumers, there is no mention of the importance of product and price transparency and this should be a key part of any guidance to firms. Simplifying messaging will have little effect if the underlying pricing practices mean that the product remains unnecessarily complex.

- **The FCA should consider the creation of rules to compel change across the industry.**
 - Although the FCA assert that firms are actively seeking advice on how to make improvements, change must be incentivised to ensure that all firms are taking action to better support vulnerable customers, not just those more highly engaged firms. We are aware some firms are asking for clarity on some of these issues and it is not clear in its current form if this guidance will provide it.
 - Though its content is positive and will be helpful for firms, without any consequences for those who choose not to act on it, we will not see the changes we need from this guidance. Section 3.19 on page 20 undermines any incentive for firms to follow the guidance, stating that ‘It will ... not be legally binding and firms need not follow [the guidance] in order to comply with rules or other requirements. Firms may comply with their obligations in other ways.’ This seems to negate the purpose of the guidance altogether.

About Which?

Which? is the largest consumer organisation in the UK with more than 1.3 million members and supporters. We operate as an independent, apolitical, social enterprise working for all consumers. We are funded solely by our commercial ventures and receive no government money, public donations, or other fundraising income. Which?’s mission is to make individuals as powerful as the organisations they have to deal with in their daily lives, by empowering them to make informed decisions and by campaigning to make people’s lives fairer, simpler and safer.

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