

A Call for Action in Vulnerable Times

Respond to vulnerability with empathy and action

The COVID-19 pandemic has been an unprecedented shock globally – severely impacting the financial markets, the global economy, businesses of all sizes and the jobs, livelihoods and financial situations of consumers. Loss of income, an inability to pay mortgages and other secured and unsecured lending, and a significant increase in emergency lending to businesses and consumers are just some of the likely short-term financial impacts. The longer-term impacts on consumer confidence, financial markets, pensions and wider economic impacts are merely speculation now but the indicators are not good.

Regulatory response – The UK regulators have a responsibility to maintain market confidence and integrity and ensure fair customer outcomes. The Financial Conduct Authority (FCA) has identified priority focus areas to support the financial sector's response to the COVID-19 outbreak. Firms must have significant resources and dedicated teams handling the situation and it "stands ready to take any steps necessary to ensure customers are protected and markets continue to function well."

Vulnerable customers – Firms' treatment of vulnerable customers is likely to be high on the FCA's agenda in the coming months. There is expectation for all financial institutions to increase their focus on identifying and assisting vulnerable customers during these challenging times to achieve fair customer outcomes. The COVID-19 outbreak is expected to significantly increase the number of customers subject to financial vulnerability and consumers who may also be vulnerable as a result of mental health concerns, bereavement and other life events, and changing personal circumstances.

Time for action – Firms would be well advised to increase their responses to helping vulnerable customers achieve fair outcomes. Regulators will be significantly increasing scrutiny and firms who ignore these regulatory pronouncements now will be storing up future regulatory issues, building up higher volumes of customer complaints and placing customer loyalty at risk.

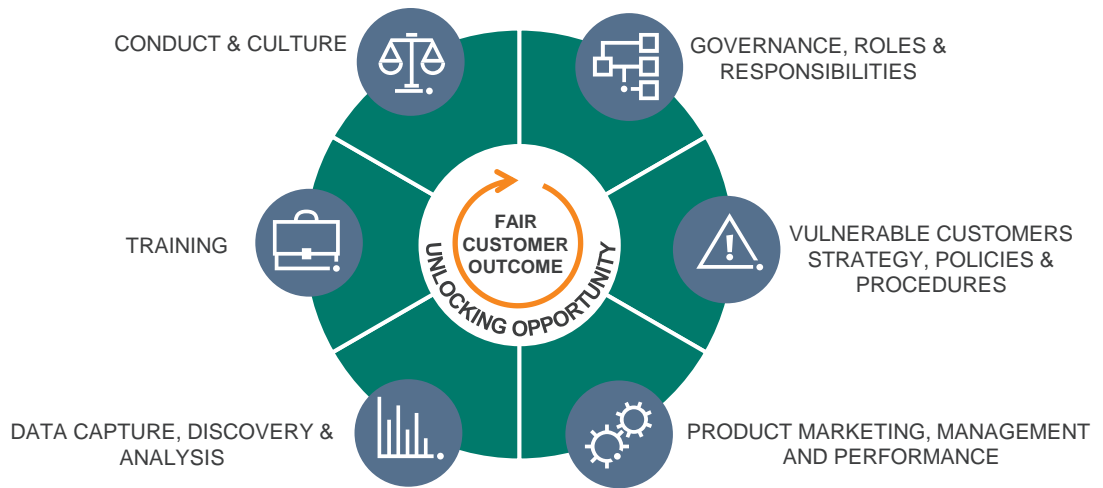
On the flip side, there is an opportunity for firms to increase their reputation as being a trusted lender, which can result in an increase in loyal customers and market share. Now is the time for firms to reassess how effective their systems and controls are embedded within their business models to achieve a fair outcome for vulnerable customers.

Regulators' actions and the impact on consumer lending firms

Focus Areas	Regulators' Actions	Responses for Consumer Lending Firms
Overview	Government, regulators and industry must work together to mitigate the effects of COVID-19 on jobs, growth and the UK economy. The "huge efforts" are recognised and appreciated, but more needs to be done.	Establish positive or negative indicators relating its own products, customer segments, and types of vulnerability. Monitor and revisit single customer views which will be impacted by the current circumstances to enable them to adapt their activities going forward
Credit Cards	Relaxing the rules on customers in persistent credit card debt. Offered some level flexibility in dealing with complaints.	Take steps to assess the impact of COVID-19 on the different customer segments. Stay close to customers - it will determine their relationship and reputation after the crisis.
Mortgages	Requiring firms to reduce interest on loans or increase the pay back period by up to three months to those customers who are directly impacted by the COVID-19.	Handling and proactive identification of this population to ensure that systems and process do not default into standard process (e.g. affordability assessments and arrears notification).
General Lending	A lending firm may take a range of income and expenditure information into account while assessing the creditworthiness of a customer applying for a regulated credit agreement.	Adapt current processes and empower staff to enable a flexible approach to the use of historic trading figures, revised forecasts and flexible repayment terms.

Firms must take action now to support fair outcomes for all vulnerable customers

Protiviti's Vulnerable Customers Risk Framework



How We Can Help You Now

- 01 Embedding your Vulnerable Customer Policy in downstream processes, systems and controls**

We will collaborate with you to enhance your Policy which is bespoke to your customers, products and services, and business model. Our customer centric approach in implementing change will support any efforts to embed changes to impacted teams with minimum disruption.
- 02 Risk scoring a customer's vulnerability throughout their relationship with you**

Leveraging your current data set, we will design and implement a technology enabled solution which will help you assess a customer's vulnerability at any point in time during their relationship with you. This will allow you to adopt a risk-based approach on how to treat vulnerable customers consistently and fairly across your business.
- 03 Implementing innovative tools, techniques and technologies to manage vulnerable customers**

Having a single customer view is key. Utilising process mining tools and data analytic techniques, we will deliver a process driven solution which will enable you to identify and assess vulnerability by customer groups and segments, and to anticipate potential spikes in vulnerable customers following a change in circumstances.
- 04 Validating changes to pricing and other financial models**

The measures which the UK government have taken will challenge how resilient a firm's pricing models are to continue to operate commercially whilst helping customers achieve a fair outcome. We can provide independent assurance on any updates made to your financial models utilising statistical analysis and testing techniques.
- 05 Training and providing additional specialist capacity to backfill customer facing employees**

Empowering your teams to help your customers through this challenging period is critical in building a loyal customer base. We can help develop and deliver training to your front-line teams. We can also augment your first and second line teams to create capacity to run business-as-usual and support change programmes.

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