

Summary

- The FCA's recent guidance paper on the fair treatment of vulnerable customers emphasises the industry's lack of consideration of the needs of these individuals.
- Schemes are encouraged to clearly outline the different types of vulnerable customers, and the behaviours that could put members in each bracket.
- Pension scheme staff need to be trained to identify vulnerable customers.
- Once identified, providers should look to assist vulnerable customers with tailored support that suits their specific needs.
- There is always room for improvement, and vulnerable pensions customers should be viewed as an ongoing challenge.

A helping hand

Talya Misiri discovers how the pensions industry assists its vulnerable customers

Amid an ageing population, and the nature and complexity of pensions, this industry will inevitably be presented with vulnerable customers.

The Financial Conduct Authority (FCA)'s recent guidance paper, *Guidance for firms on the fair treatment of vulnerable customers*, published in July this year, emphasised a lack of consideration of the needs of vulnerable individuals. The regulator's reiteration of its policies suggests that pension providers, schemes, advisers and trustees are not doing enough to assist those deemed as vulnerable.

Hurley Partners pension director Martin Tilley says: "With pensions, you've got a lot of decisions that need to be made on a fairly regular basis. Vulnerability is a circumstance that changes and can occur quite quickly; people can become vulnerable quite rapidly. So, identifying and helping these members is crucial."

The FCA has said that up to 50 per cent of consumers could be potentially vulnerable and need extra support.

Nonetheless, its research found that the typical number of vulnerable customers identified by firms was around 5 per cent or less. "Clearly there is a huge gap between the regulator's expectations and the firms' experience,"

Just communications director Stephen Lowe comments.

Shortfalls

The FCA defines a vulnerable consumer as: "Someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care."

On the whole the pensions industry does not have the provisions in place to cater to and identify vulnerable customers.

Trafalgar House client director Daniel Taylor says: "The industry tends to be very reactive when it comes to meeting the needs of vulnerable members. Instead, processes need to be in place to enable vulnerable customers to be identified and supported at the earliest point possible."

Identification

The fact that the FCA has continued to reiterate its guidance highlights that there is a considerable level of neglect for vulnerable customers. Training staff and all those that deal with pension scheme members and consumers about how to identify vulnerable customers is a key starting point to tackle the problem.

Schemes are encouraged to clearly outline the different types of vulnerable

customers, and the behaviours that could put members in each bracket.

AHC head of engagement strategy Karen Bolan points out: "It's important first to identify how we would define vulnerable members. For our industry, the focus tends to be those in or approaching retirement with insufficient provisions in place. In fact, we need to look beyond these and focus on any member who struggles to understand or plan for retirement." This could include the physically or mentally less able, or those going through bereavement or a divorce.

Discussing his recent task to rewrite Hurley Partners' vulnerable customers policy, Tilley says that staff training is essential. He explains that "key to this process must always be staff training to identify the signs of vulnerability or potential vulnerability". Once these are realised, Tilley says, the pension scheme, employer and/or adviser can begin to assist accordingly.

Nonetheless, it is important to ensure that staff who are dealing with vulnerable customers are also supported.

PensionBee founder Romi Savova highlights: "It can also be very challenging and emotional for the staff of a pension provider to help vulnerable customers, so internal support systems should be reviewed and adjusted where necessary."

Communications

Nethertheless, identification is not always completely straightforward; certain signs can be missed if members are unable to communicate with schemes directly.

Savova says: "It is difficult to identify vulnerability through cookie-cutter forms. Hard-to-reach call centres compound the problem. Therefore, providers need to ensure vulnerable customers can easily speak to real human beings when they need to.

"If a vulnerability is identified, providers need an action plan to deal with regular occurrences." Examples of this include: "Referring heavily indebted customers to the right support channels

that can independently explain why accessing a pension is not desirable, helping survivors of deceased customers make arrangements for their loved ones' finances, or simply helping customers understand their options patiently and in plain English."

In the digital age, pensions information for vulnerable customers can now be presented in simpler, more accessible formats.

An example of this is pension provider Smart Pension's Amazon Alexa and Google Home integration that provides visually impaired people with the option of managing their pension through voice alone.

Smart Pension director of policy and communications Darren Philp says: "As we move into the digital age we have a unique opportunity to use technology to communicate in a more effective and accessible way."

Bolan agrees that a range of formats should be available for consumers to view information. "If we produce a website, we should make sure that it's just as informative on a screen reader as it is for someone viewing the site. If we include video or infographics, there should be alternate ways of seeing the information."

Tailored assistance

It is important to be aware, however,

that not all those deemed vulnerable will have access to or be able to use these new technologies. Digital applications should operate as an aid and not a replacement for other forms of assistance for vulnerable customers.

Philp notes: "Going digital doesn't mean ditching more traditional forms of support and it is important that all providers don't just see going digital as a way of reducing costs and the prevalence of other important channels that help customers with specific needs and wants."

So, once identified, providers should look to assist vulnerable customers with tailored support and information that suits their specific needs.

Taylor explains: "Most administrators have processes in place for providing accessible format communications, but don't advertise it or provide these options as part of upfront communication preferences."

He adds: "Pockets of excellence do exist, and there are some fantastic examples of best practice for accessibility, clarity of communication and support. But these schemes are the exception."

At present, best practice can be demonstrated by schemes with sponsors related to vulnerability. For example, schemes where the employer is a disability charity or advocate for vulnerable people, have placed supporting these needs at the

centre of their pension provision also.

"For most other schemes and administrators, it tends to be an afterthought rather than a strategic objective," Taylor says.

There are a number of factors to be taken into consideration when assisting vulnerable customers. Tilley says: "The time of day that correspondence takes place, i.e. if on medication, they may be tired towards the end of the day; if they have just experienced a bereavement or financial difficulty, or if someone should communicate on their behalf; etc. You have to be careful about the terminology used and make sure it's very simple. Maybe have large typeface if perhaps vulnerable because of age."

Where full support cannot be provided by administrators, providers and employers, consumers and their families can be guided to organisations that are able to help. Examples of this include: the Citizens Advice Bureau, charity websites, Office of the Public Guardian and the Money and Pensions Service, among others. Or if they are able to seek independent financial advice, this should also be encouraged.

Overall, it is evident that the industry still has a considerable way to go in improving its understanding and treatment of vulnerable customers. Identification is key to ensure members who need further assistance are identified at the earliest stage possible and changing circumstances can be supported. Then, schemes must have provisions in place to provide tailored communications and support each individuals' needs.

These processes will, in turn, place scheme members into a better position to tackle complex pensions decisions and to make informed choices.

"There is always room for improvement and providers should consider managing customer vulnerability an ongoing challenge," Savova concludes.

Written by Talya Misiri, a freelance journalist

Scams

The fact that large amounts of money can be held in pension pots means that all members can be regarded as vulnerable to scams.

While The Pensions Regulator, FCA and other industry bodies have worked to inform and warn the public about cold calling and scams, pension members are still key targets. Pension members who are also regarded as vulnerable due to personal circumstances are even more at risk.

Savova says: "It is incredibly important to support vulnerable people, because they are more susceptible to financial scams and other forms of consumer detriment."

"Vulnerable clients, by their very nature, are more likely to make ill-informed decisions," Tilley adds. These could involve agreeing to transfer their pensions into scam schemes or defined benefit transfers that could leave them at risk and financially worse off.

"Policies whereby individuals are remunerated for sales: those are the types of policies that would be directly opposed to vulnerable clients," Tilley concludes.