

It could happen to us all

Deep Dive into transient vulnerability



Vulnerability is both widespread and tricky to define

Vulnerability is not one dimensional or static

- There isn't a 'typical' vulnerable person and people might not view themselves that way either
- Vulnerability should not be overly simplified i.e. not just focused on physical or mental disabilities. Even the circumstances/situations we all encounter in our everyday lives can make us vulnerable at a particular moment
- Factors that could make a consumer vulnerable rarely remain static, therefore adding an extra layer of complexity when recognising vulnerability



Gusto
RESEARCH

The FCA have identified...

- Health, Life Event, Resilience & Capability characteristics/drivers to help make sense of vulnerability
- The FCA aim is 'to ensure the fair treatment of vulnerable consumers' and to 'ensure they are treated fairly and consistently across financial services'

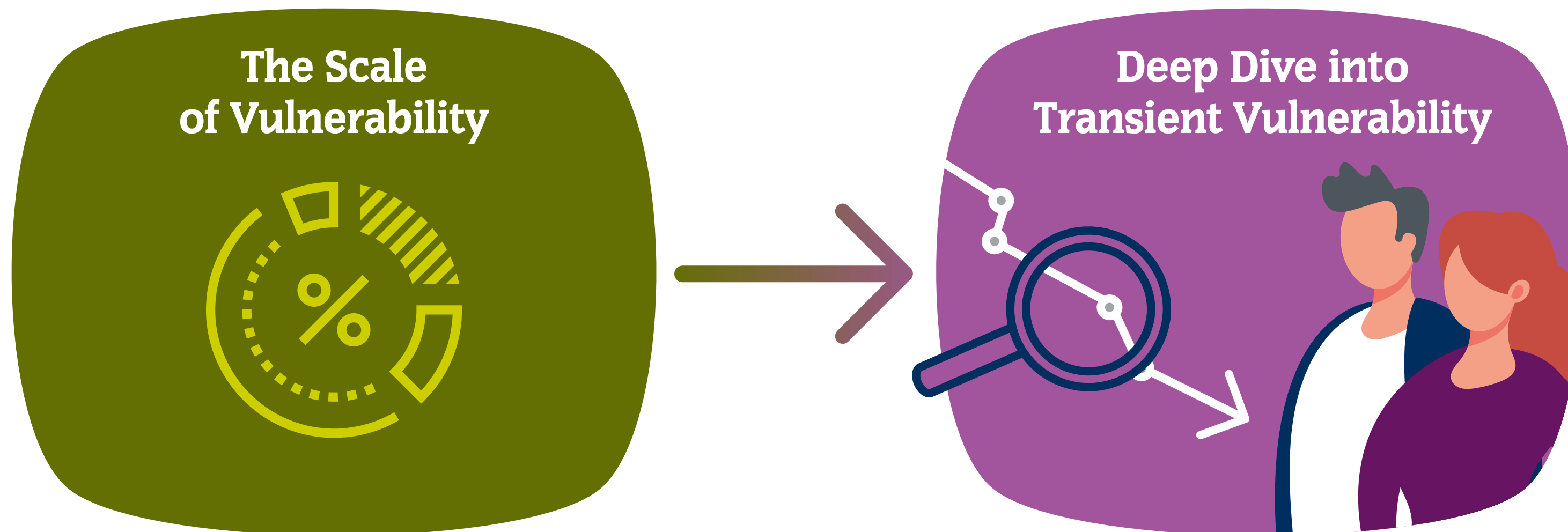
Gusto's own self-funded research provides a **detailed picture of vulnerable customer needs.**

Guidance on opportunities to address any potential gaps and **ensure customer outcomes are not impacted by vulnerability.**

It could happen to us all

Introduction & Background

Understanding the extent of and impact of vulnerability on consumer behaviour



“You cannot live when you are untouchable. Life is vulnerability”

Edouard Boubat

Our Approach

Stage 1 Quant

- 1,500 Online panel interviews (Conducted 2019)
- All of those interviewed were UK adults holding a bank account



Stage 2 Qual

- 15x In-Home Depths & Immersion Sessions (March 2020)
- All recently affected (within last 6 months) by one of the transient vulnerability indicators (see below)
- All to have experienced some form of financial detriment or impact as a result of the life event



Vulnerability Indicators:

- Bankruptcy
- Bereavement
- Birth of a child
- Divorce/break-up
- House Move
- Financial stress/difficulties
- Redundancy
- Retirement
- Temporary severe illness
- Work-related stress

Stage 1

Scale of Vulnerability



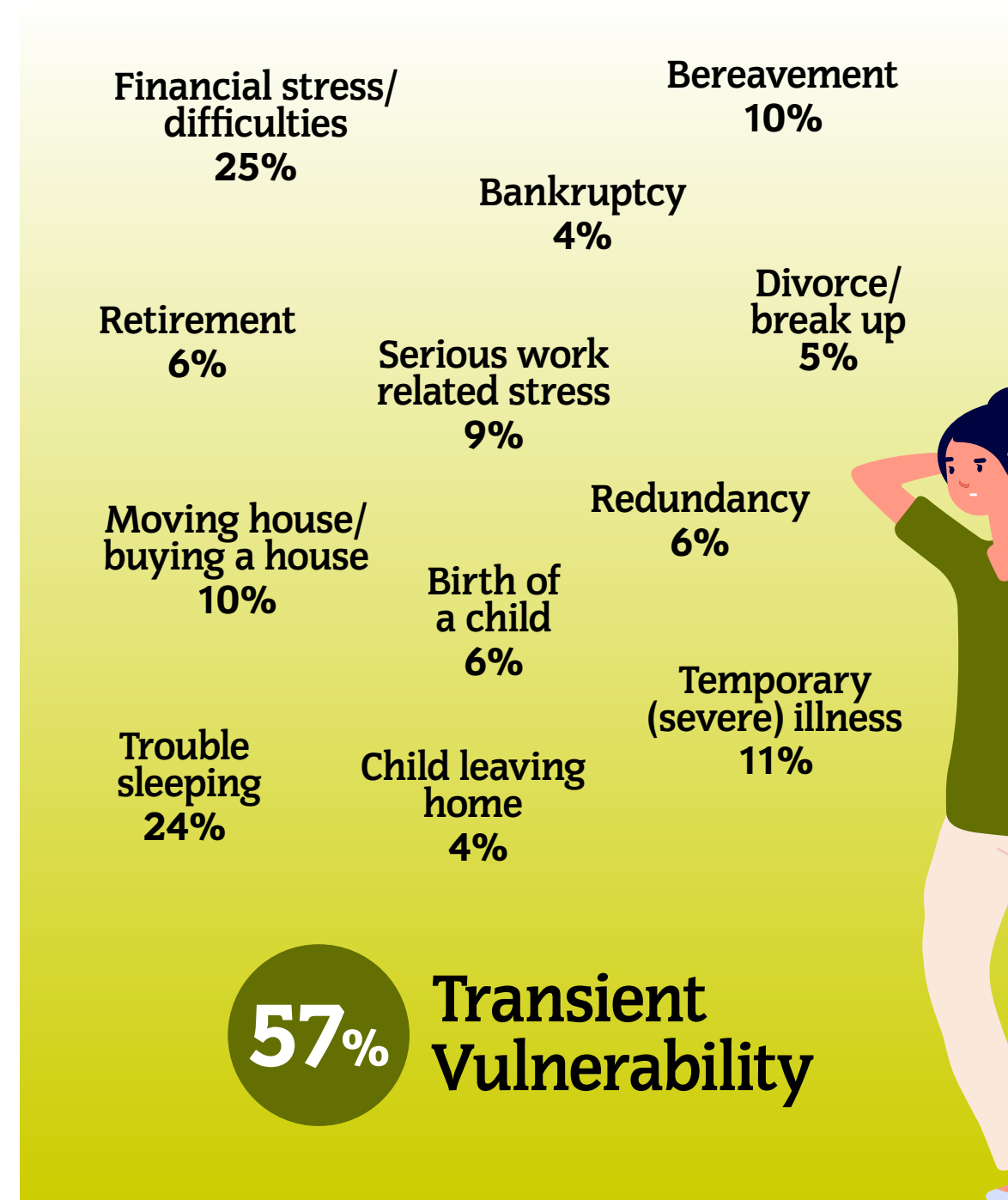
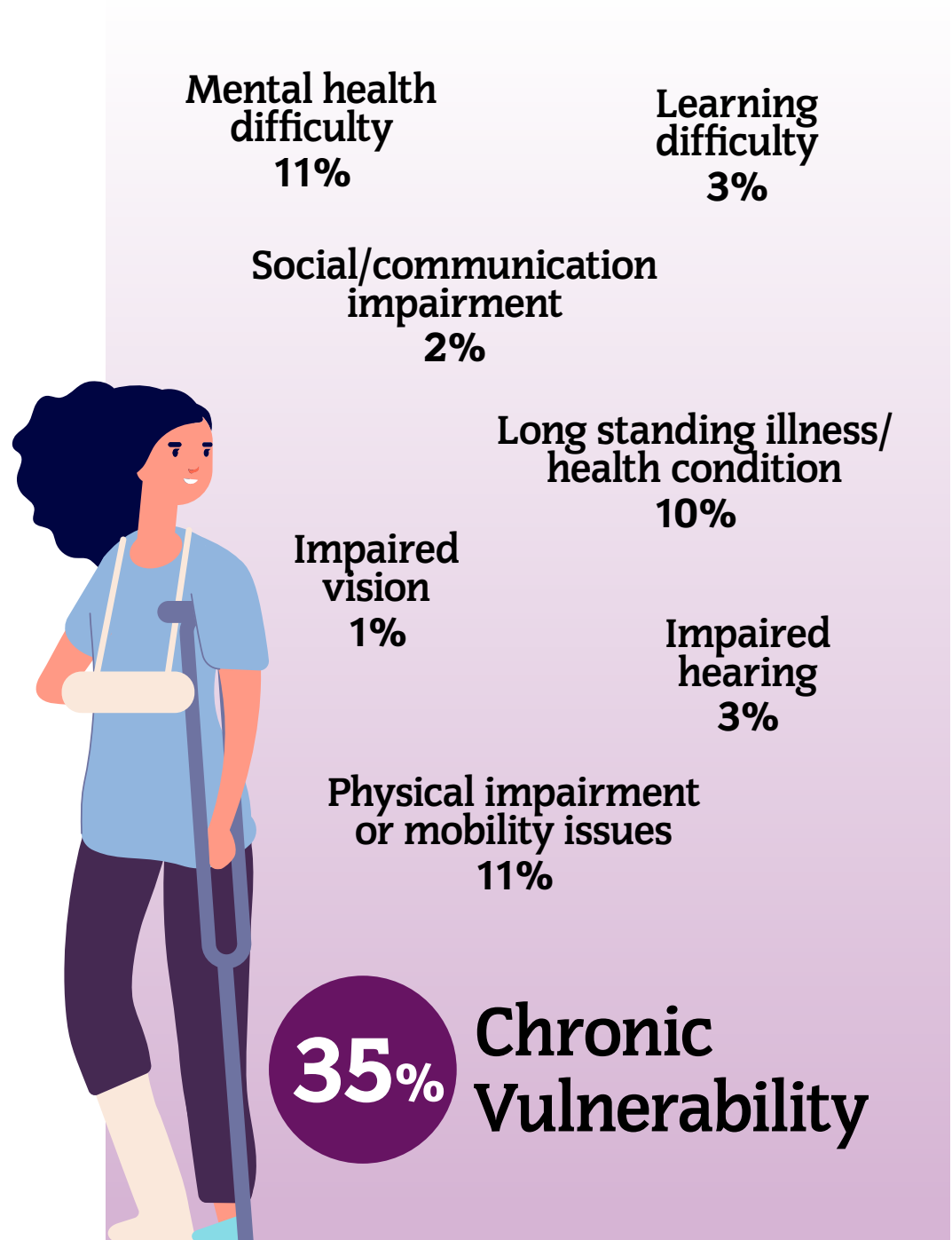
2 in 3 of us have experienced vulnerability in the last 6 months

67% Vulnerable



32% Transient only

25% Transient & Chronic



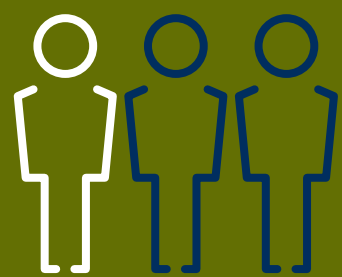
Gusto Key Finding
 'Vulnerability' is a combination of actual and potential vulnerability
 These proportions also don't explicitly capture low financial knowledge or low financial resilience

This scale & diversity challenges traditional views of vulnerability, which typically focused on chronic and more tangible conditions

Far reaching issue...



2 in 3
Reported vulnerability
in the last 6 months



1 in 3
Chronic issues
e.g. long standing health
or mental health problems



57%
Transient vulnerabilities
such as buying a house etc. are more prevalent

Transient vulnerability typically occurs with financial repercussions

i.e. report less comfort/control of finances



Anyone at any time...

Chronic & transient vulnerability affects all lifestages

However, those with only a chronic condition are typically older. And transient more prevalent in under 55s



Chronic
Even gender split
Transient
58% Female



No regional differences to note

Gusto Key Finding

Clear implications for customer facing brands, given high probability the customer will be encountering some type of vulnerability at any given time.

Stage 2

The Deep Dive into Transient Vulnerability



Vulnerability can be a transient state: Consumers can move in and out of circumstances that make them vulnerable

We assessed vulnerability in terms of exposure to vulnerable situations through life events, rather than self-assessed 'vulnerability'

Objectives:

Gain a detailed picture of vulnerable customer needs:
The Drivers, Impact and Effect on Outcomes

Guidance on opportunities to address any potential gaps and **ensure customer outcomes are not impacted by vulnerability**



Objective

Identifying the Drivers of Vulnerability



Everyone can become 'vulnerable' through exposure to life events



Female (32)
First Baby

Female (62)
Bereavement
Divorce


Female (61)
Accident
Work Stress



Male (54)
Stress

Female (32)
Severe Illness
Business Sale
Divorce ⚡⚡⚡


Male (60)
Redundancy



Female (58)
Severe Illness

Female (51)
Divorce

Female (60)
Redundancy
Work Stress



Female (53)
Redundancy

Female (51)
Bereavement
Bankruptcy
Accident

Male (58)
Work Stress



Male (51)
Bereavement

Female (40)
Unplanned 3rd Child

Female (60)
Bereavement

Carrie (32)

Working Mum on 12 month maternity but reducing to 9 months due to financial squeeze

New mortgage



So nervous to request payment holiday

“I feel isolated at home and we have no spare money, it all goes on keeping the roof over our heads”



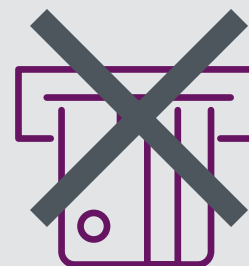
Bank of Mum & Dad



No Savings or disposable income



Lack of financial planning



Rejects Credit

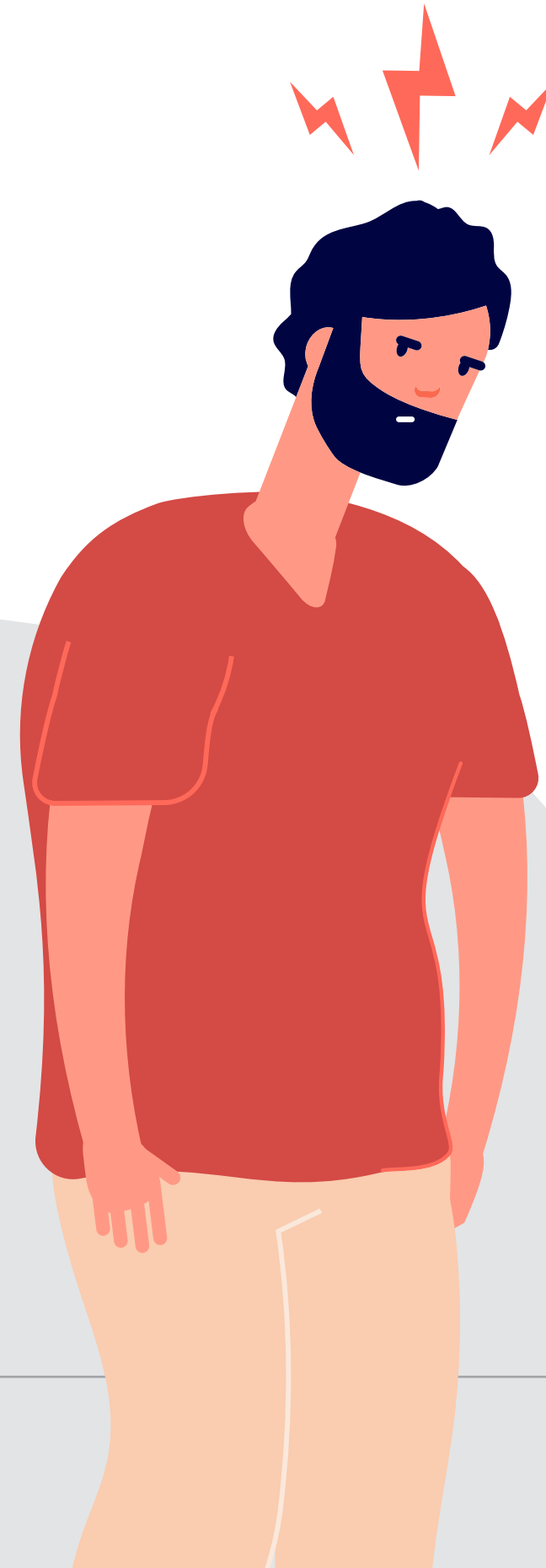


Financial future on hold

Case Study

John (58)

Work stress led to breakdown and debt impacted future life



“My sister intervened and made me tell her everything. She rescued me”

“I’ve lost everything but I still can’t face it”



Moved into rented



Ignoring creditors



Family intervention saved him

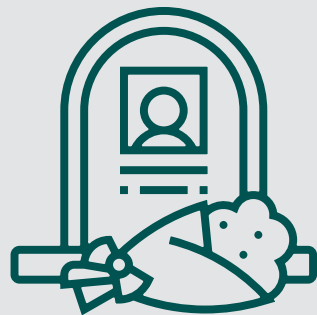
Unable to see a financial future

Linda (61)

Recently bereaved Mum with teenager. Husband's cancer diagnosis/death = debt



“The mortgage company have been great. They’ve given me time to sell the house and have been very understanding”



Recently widowed



Large mortgage



Husband's undeclared debt



Retirement plans delayed



Unable to see a financial future

Sue (51)

Successful career woman hit by divorce, long term illness and business loss



Savings depleted



Moved into rented



Fuel poverty



“I used to have my own business, now I work part time as a cleaner at the vets so I can heat my home”

“Whilst I hate the term ‘vulnerable’, if it means someone will help me I don’t care if that’s how I’m classified”

Unable to see a financial future

Vulnerability can manifest itself through a variety of predominantly negative emotions...



Gusto Key Finding
Mental health issues commonly caused/exacerbated during periods of life change, increasing and feeding into vulnerability

Vulnerability has no defining time limit and customers may need hand-holding for significant periods

Whilst transience in its very nature is short-lived, some life events can impact for extended periods

Bereavement

Divorce

Redundancy

Severe Illness

“My husband died at Christmas, now the house is for sale and we’re downsizing. He was only 57 and I don’t get any of his pension so I’m going to have to go back to work”

“My rheumatism came on in my 40s and I had to sell my café. I’ve used up all my savings and I’m only 51 so a long way from retirement”

Gusto Key Finding

Everyone deals with life-events differently so whilst there can be guidelines tailored approaches will be required



Objective

Understanding the Impact and Effect on Outcomes

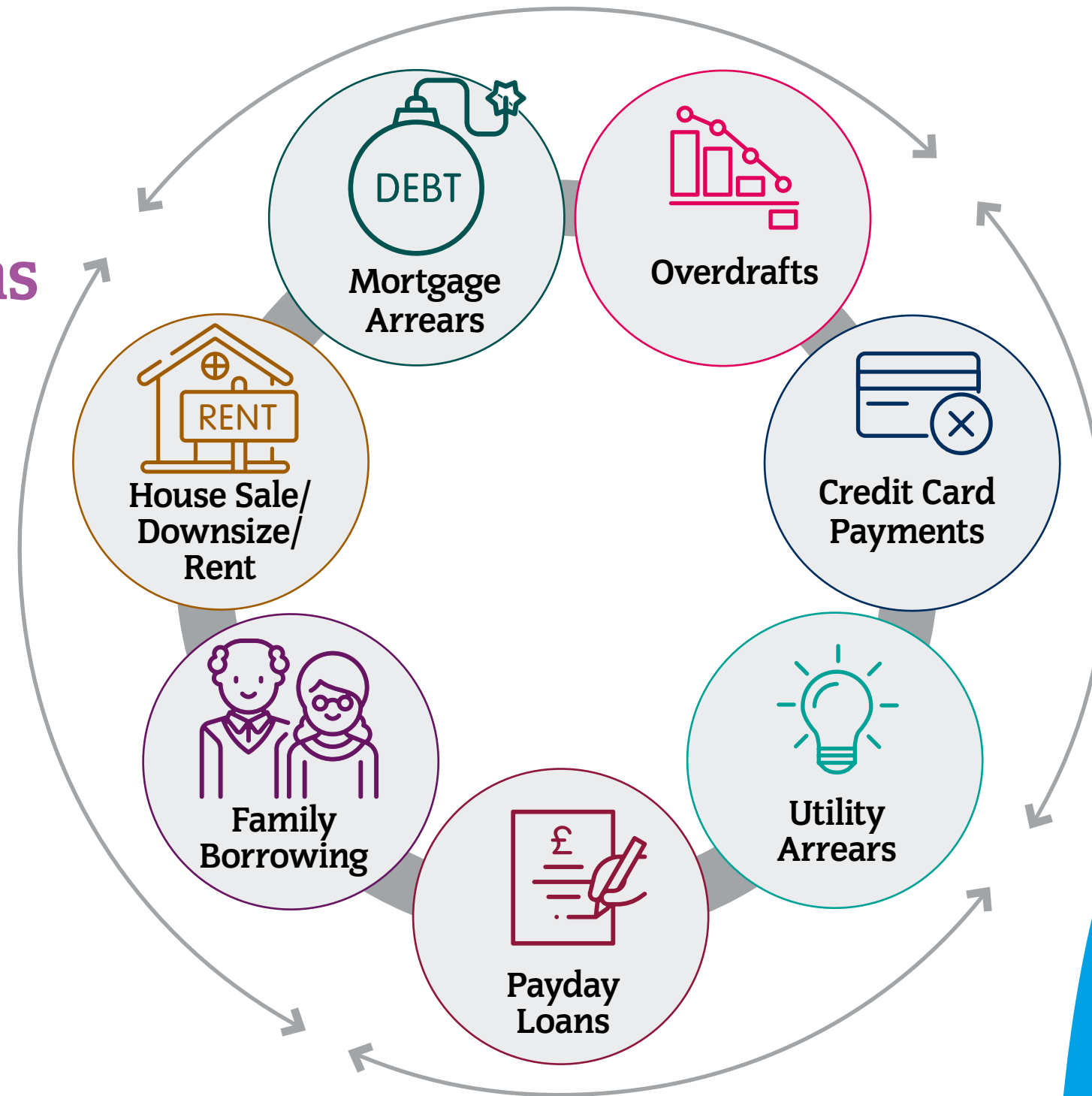
Although those with savings and investments may access first, a range of financial consequences can still result

Life events trigger financial implications

Vulnerable customers, in particular Transient vulnerable...

60% feel less comfortable financially*

43% report lower control of finances**



Depending on circumstances one or more financial situations may occur

Gusto Key Finding
 One financial issue may trigger subsequent issues and can require a variety of financial solutions

*Rate 1-6 on a scale of 1-10 where 1 is struggling and 10 is comfortably off
**Rate 1-6 on a scale of 1-10 where 1 is not at all in control and 10 is completely in control

Majority of life events impact on personal/household finances with rational and emotional consequences



Rational Factors

“When I got divorced I lost my house, my future savings as well as my sense of worth and respect. It took me years to build it up again and then I became ill and now I’m back to square one.”

Emotional Impact

“I got to 55 and the company I’d worked at for 30 years clearly wanted rid of me. So they drove me to leave through stress and I haven’t been able to return to work since.”

Life events and associated vulnerability commonly results in increased stress and mental health concerns. These can drive a behavioural bias that limits peoples ability to make informed decisions or indeed the ability to make any decision.

Gusto Key Finding

The key for providers is to recognise these life events and establish ways to empower customers and allow them to gain control of their money during this period of transition

‘Vulnerable’ is not a word anyone wishes to associate with themselves spontaneously

- A word with strong emotive connotations with suggestions of weakness and exposure
- However, once prompted many consider themselves to be ‘vulnerable’ both in relation to mental wellbeing as well as their financial situation both now and in the future
- So whilst they may feel vulnerable to themselves they reject a more public classification/labelling

However... a minority would be prepared to be labelled as ‘vulnerable’ if it resulted in additional help and support from a variety of sources including financial providers.



“Vulnerable!?”

Gusto Key Finding

Providers will need to adopt a sensitive approach when collecting personal data relating to vulnerability and developing an approach which works across self-completion and direct channels. Customers will need clarification as to the benefits of a provider holding this sensitive information and providers will need to consider how this data will be managed

Lower financial savviness and/or reduced financial planning/wealth does have an impact on 'vulnerability'

Reduced financial knowledge can result in greater confusion and vulnerability when circumstances change

Illness and divorce can still severely impact even the wealthiest both practically and emotionally

Lack of financial planning can result in weakened foundations when change occurs

Not all events can be planned for. Sudden deaths or severe illnesses still have the ability to shock

Those with savings behind them will always be better prepared than those 'just about managing'

Lower income and single income households will always be more exposed to life changes

Poor financial knowledge and management can lead to poor product choices and/or behavioural biases which can have long term implications and become further exposed when life events occur

Gusto Key Finding

Highlights the need for providers to communicate the benefits for all to have regular financial reviews and communicate their ability to support customers on all stages of their life journey

Vulnerable customers unlikely to consider contacting financial provider regarding their life event/change in circumstances

Nervous

- Concerns of impact on products held/borrowing
- Credit rating
- Future needs/borrowing

“I just wouldn't think to tell them. I'd ask the family for help before contacting anyone”

“If I'd told them I'd lost my job through stress I would assume they'd look to end my mortgage”

Low Expectations

- No high expectations of financial providers demonstrating empathy
- Assume have to fix problem themselves
- Negative perceptions often from media and case studies

“Banks don't care about me and what's happening in my life. They just want to see the monthly payment being made every month”

Gusto Key Finding

Whilst 'vulnerable' customers are increasingly a priority for the FCA and financial brands, this message is clearly failing to cut through and resonate with consumers

Potential for providers to encourage increased proactive contact after life events by explaining potential to offer financial solutions and support. Focus on the practical/flexible benefits that can be offered.

Those contacting providers had mixed experiences and customers remember their treatment in a time of need

Positive

- Death of husband has resulted in zero household income and inability to pay mortgage
- Contacted Building Society and immediately helpful
- Mortgage frozen until property sold
- Provisional new mortgage already in place

“The same person from the building society rings me every month to get an update on the sale but they have been so fair. They certainly live up to their adverts”

Negative

- Wife unaware of multiple credit cards until husband's death
- 4 of 5 cleared the debt once informed
- 1 leading high street bank attempted multiple times to claim debt from bereaved wife before FCA got involved

“...One bank chased and chased me. I've left reviews everywhere warning people to avoid them as they just don't care”

Vulnerable customers (transient) are more likely to agree it's important their financial providers **understand their financial needs**

82%

VS.

73%

...but experiences in their time of need are mixed

Gusto Key Finding

Brand positioning & staff training are key in ensuring customers are treated fairly and with respect at all touch points.

Providers can demonstrate their willingness to help and support customers at all stages in their life through an ongoing supportive/flexible relationship that focuses on services and solutions and not solely products.

Customers would need to feel confident that providers would be sympathetic to their situation before approaching

Telephone deemed the most appropriate channel through which to contact a provider regarding a change in circumstances or when requesting assistance/compassion



Direct and personal but also 'anonymous' with the potential to provide desired sympathetic ear but also reassurance and suggestions of solutions



Email for functional communications and follow-ups/confirmation after initial call



Messenger rejected as inappropriate and lacking personalisation and direct action



Branch preferred and used by some, particularly older. Face-to-face channel can result in direct action

Gusto Key Finding

Contacting a provider to communicate a change in circumstances and requesting assistance is a big step for many and they need reassurance they won't be judged and that there is a financial solution available.

At this point of contact customers would be prepared and expect to answer sensitive questions and have this recorded on their profile/account

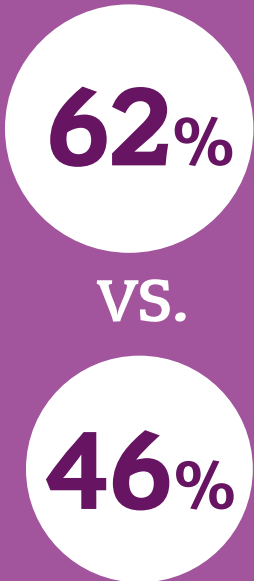
Proactive contact from providers when financial circumstances change may be welcomed if handled appropriately

Most 'vulnerable' customers going through life changes/events would be open to providers contacting them to ensure they are managing and to offer any help and advice/financial solutions

Charity referrals only when appropriate e.g. debt assistance organisations etc.

Vulnerable customers (transient) are more likely to agree they would like their bank/providers to **pro-actively anticipate their needs** based on what they know about them and suggest possible solutions.

They also place more importance on providers proactively offering advice/guidance based on their circumstances



Triggers

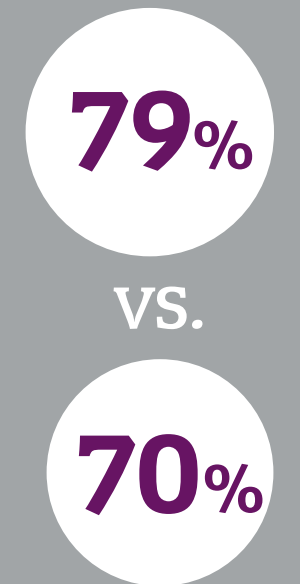
- Reduced monthly income
- Higher expenditure
- Missed payments...

Comms

- Telephone is more personal & 'caring'
- Letters/emails considered too official and fail to suggest any potential empathy



However, on an ongoing basis there is an opportunity for digital solutions – vulnerable customers (transient) are more likely to agree it's important their financial providers provide tools to **manage finances effectively**.



The actions of financial providers during **Covid-19** may impact on future customer expectations...

Customers have been exposed to financial brands increasingly willing to help in periods of vulnerability

Offering practical financial support & solutions in the form of product and service flexibility: **Payment holidays, interest free periods, dedicated vulnerable contact centres etc.**

Flexible

Caring

Personal

Supporting

Will customers expect/demand greater flexibility and support in the future in times of need?

Will customers become more accepting in revealing their vulnerability to providers?



Gusto Findings

Key Considerations

Transient vulnerability adds a layer of complexity that needs to be incorporated into organisational culture

5 key stages to incorporate vulnerability

1 Understand that everyone will experience life events which can result in 'transient vulnerability'

- Aside from the moral/ethical perspective, addressing vulnerability can benefit both the business and the customer
- Adopt an approach which accepts 'vulnerability' is a stage and not a weakness

2 Upskill staff

- Success is dependant on being a company wide initiative, focused on relationship (not product) with a strong emphasis on staff training

3 Take practical action in...

- Design of products/services
- Customer service
- Communications

- Design with vulnerability in mind, supported by flexible systems/processes
- Tools to empower customers to take control of their money
- Offer flexible, potentially specialist, partnerships with third parties
- Clear, personalised communication, providing channel choice
- Target with relevant info/support when it is needed

4 Proactive intervention and Disclosure

- Identify, monitor and act upon any behaviour that may indicate vulnerability
- Encourage disclosure via transparency – clear benefits and assurances. Personally manage – telephone = empathy

5 Analyse, learn, develop, improve

- Use existing insight around customer lifestage/events to create a vulnerability timeline/identifying higher risk vulnerabilities
- A major challenge is keeping up to date with the constant changes in their life – regular financial planning

Gusto Key Finding

Ultimately by taking a customer-centric approach, the distinction in vulnerability begins to diminish and instead enables businesses to build stronger brand affinity with every customer

Some potential indicators to recognise vulnerability within your customer base...

Considerations

Building significant levels of debt/reliance on credit

Not opening/reacting to FS comms

Only using traditional channels for managing/contacting provider

Confusion/anger/frustration during calls/contact made re product

Basic financial product holding

Struggling or not capable/does not have access to digital channels

Confusion understanding product type/not utilising product benefits

Paying bills late/often in arrears

Not switching products and allowing for automatic renewals over long period of time

Gusto Key Finding

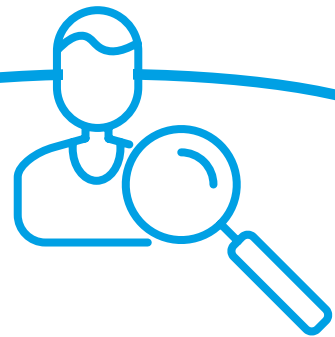
Financial reviews supporting the life journey of the customer can proactively demonstrate fairness for all & help identify periods of vulnerability

Gusto Research

How can we help?

Where is your organisation up to on this journey?

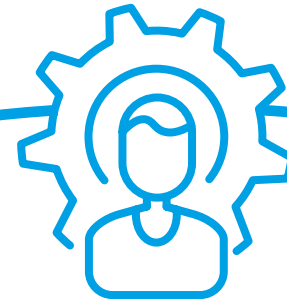
At Gusto Research we can help...



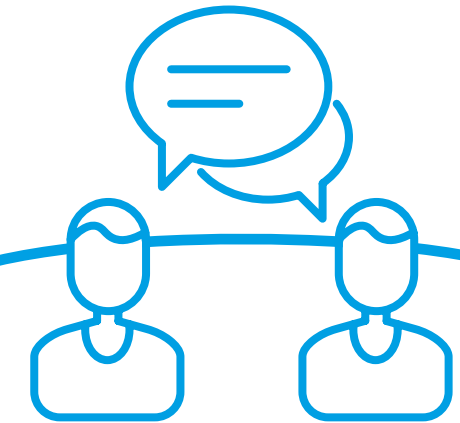
Identify indicators of vulnerability



Evaluate communications



Understand the specific vulnerabilities & needs of your customers

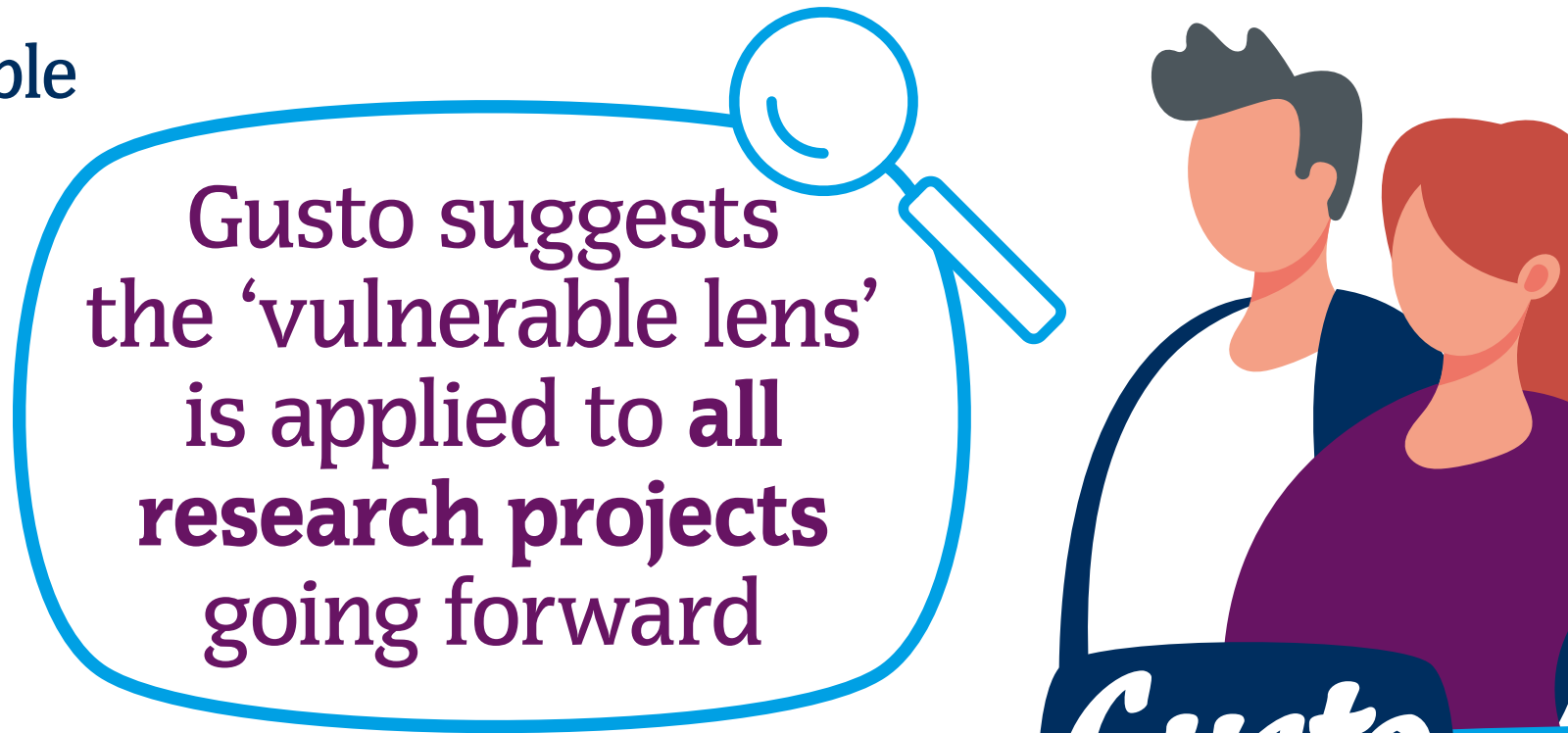


Engage with frontline staff to determine their needs in upskilling

and so much more...

As specialists in audiences, Gusto are experts in recruiting and interviewing vulnerable customers

- Gusto standardised questioning to flag vulnerable customers within your customer base/target
- Discussion guide/questionnaire designed to take into account varying cognitive abilities and used tactically
- Encouraging respondent to have support on hand if needed as part of the interview (i.e. carer, relative)
- Altering lines of questioning to ensure they have the best chance of being understood
- Being realistic with clients about the level of coverage that is possible with certain vulnerabilities
- Taking a duty of care with flagging any distressing situations with our client if respondents give permission



Gusto suggests the 'vulnerable lens' is applied to all research projects going forward



Gusto
RESEARCH

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