

CONFIDENTIAL

Vulnerability & The Cost of Living Self-Funded Stage 4



February 2023



The aim of this study is to build on previous self-funded waves looking at vulnerable customers and focus on the impact of the current Cost of Living Crisis on this audience



To provide an up-to-date picture into the lives of vulnerable consumers and how their situations impact them on a day-to-day basis in the short, medium and longer term

To explore vulnerable consumers' needs, priorities and experiences relating to their finances

To understand expectations around customer service including channel preferences and the increased role of digital

To understand how the term 'vulnerable' has become more acceptable since the events of the last few years and the current Cost of Living crisis

To identify how financial providers can offer assistance and support when customers are experiencing vulnerabilities and encourage disclosure

Ultimately, the core focus of the research is to understand how the Cost of Living crisis is impacting vulnerable consumers and identify how financial providers can support them with potential solutions in: customer support, flexibility and product development etc.



We completed two waves of Qualitative research

Spring 2022

Autumn 2022



Individual Depth Interviews

Video/Telephone

- 15 x Online/telephone immersions
- Mix of ages/life-stages/locations
- All experienced/affected by one or more of the FCA vulnerability drivers
- All experienced some form of financial detriment or impact

- 8 x Online/telephone immersions
- Mix of ages/life-stages/locations
- All experienced/affected by one or more of the FCA vulnerability drivers
- All experiencing financial difficulties as a result of the CoL

Health



Condition or illnesses that affect the ability to carry out day-to-day activities

Life Events



Major life events such as bereavement, job loss or relationship breakdown

Financial Resilience



Low ability to withstand financial or emotional shocks

Financial Capability



Low financial understanding or low confidence in managing money. Low capability in other areas (literacy, numeracy, digital skills)

FCA vulnerability drivers

Understanding Vulnerability

Case Study

Shabi (40)

- Struggling financially to support family due to reduced household income/salary
- Relocated to new area for cheaper housing
- Children switched to state school from independent sector
- Reduced grocery bill by switching supermarkets
- Central heating now on maximum one hour in the morning and evening and showers every other day
- No support network as parents and family in Pakistan
- Problems sleeping and both her and husband anxious and under medication
- Furloughed during Covid pandemic for 7 months
- Suffers with anxiety and depression
- Regularly uses overdraft and lends money from parents

“I just wish we had family near so I could feel like I had some support nearby. It feels like our problems get worse every day”

“I just can't sleep and I'm always exhausted”



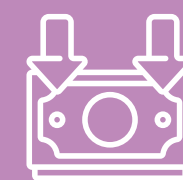
Anxiety & Depression



No Savings



Downsized to cheaper area



Reduced disposable income

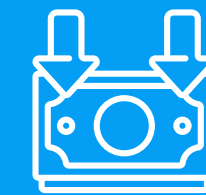
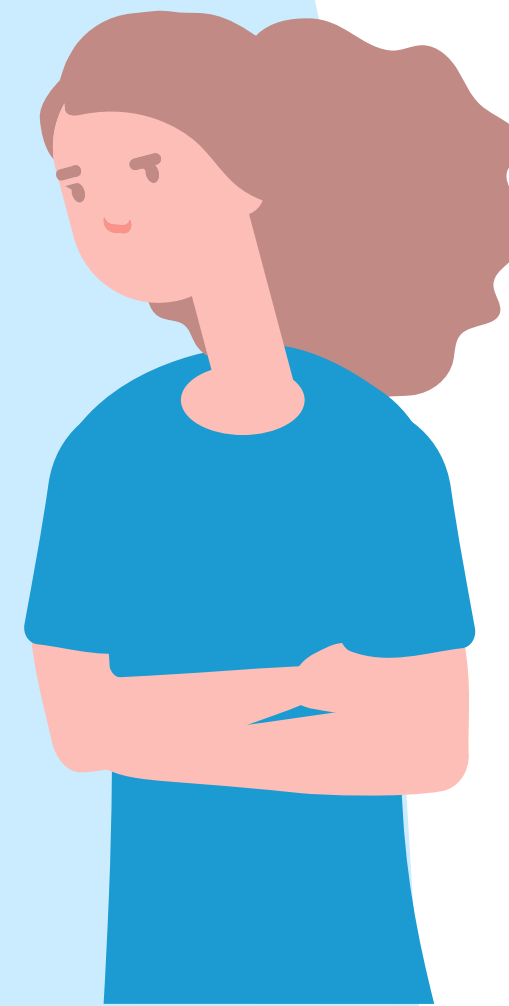
Case Study

Sarah (30)

- Furlough during pandemic and career hasn't recovered since
- Now contracting but income is erratic and lower than previously – only one household income
- Financial issues impacting relationship with partner with – partner is depressed due to his lack of work and income
- Suffering from poor mental health and depression
- Feel like life is on hold
- Suffered a fraud attack – bank account closed and made to feel like her own fault
- Watching TV less, using slow cooker etc. – all to try and save money
- Dreading Christmas due to lack of money and the pressure of spending

“We’ve always been financially stable but since the pandemic we’ve both been earning less and we don’t have any money to spend on the day-to-day, let alone doing up the house”

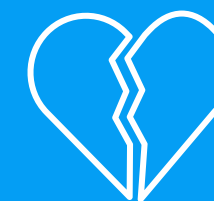
“My partner has depression but I just don’t have the time to check-in on him as I’m either working or worrying about the situation we’re in”



**Unemployment
& Reduced
Income**



**Mental health
issues &
Depression**



**Relationship
Issues**



**Life on
Hold**

Case Study

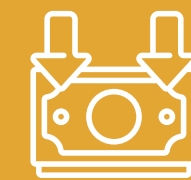
Derek (55)

- Had a car accident which has meant he has had to change jobs and now earns far less than he did
- He also has a reduced social life due to mobility issues
- They now are always looking at ways to save money and this has worsened with the CoL – changed to a discount supermarket, buying less food, sold items on eBay
- For the first time they will not be hosting Christmas for their family as they can't afford it
- He is always stressed and worried about money and feels isolated socially since the accident



“I just never seem to go out much these days, I used to see my friends often, but since the crash I feel like I’m always at home watching TV and all the fun has gone out of life”

“We had to tell the children we couldn’t afford to them for Christmas this year, so we’re going to theirs for Christmas lunch”



Reduced
Income



Reduced
Social Life



Spending
Less

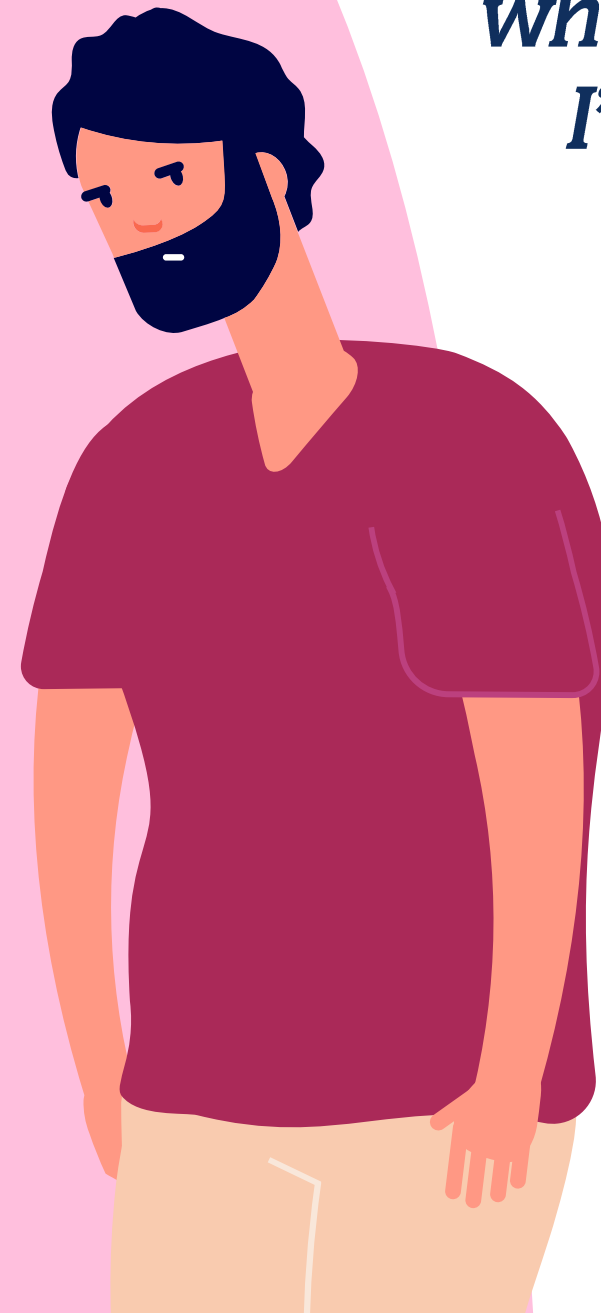


Anxiety
& Mental
Health Issues

Case Study

Peter (42)

- Recently divorced and lost a parent in last 12 months
- Social circle has reduced due to divorce
- Had to downsize and household bills now only covered by one salary
- Always looking for bargains and has switched to a cheaper car
- Can't afford to go on holiday
- Not seeing children at Christmas as they are going to see his ex-wife and new partner
- Relationship breakdown, upheaval and change in circumstances as well as a lack of disposable income has resulted in mental health and depression issues

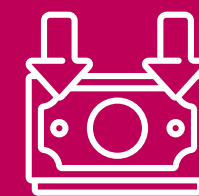


“My life has changed so much in the last few years that I don't even feel like the same person. There's not a lot to feel happy about these days”

“With the energy bills going up and who knows what will happen in 2023, I'm terrified to turn the heating on”



Relationship
Breakdown



Less
Disposable
Income



Downsized



Mental health
issues &
Depression

The Impact of the Cost of Living Crisis on Vulnerable Customers

Whilst most consumers display some form of vulnerability as seen in previous waves, economic and social conditions can drastically exacerbate this

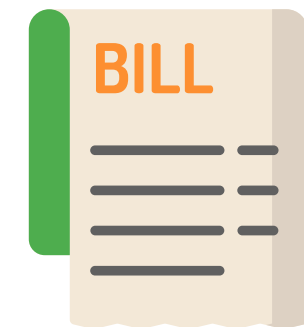


Vulnerability can affect any of us at any time and the scale of the UK population that is 'vulnerable' is ever increasing

In recent years we have seen how the pandemic has impacted consumers and now we're experiencing one of the worst economic crises in generations



FALLING REAL INCOMES



RISING COST OF LIVING



RISING BORROWING COSTS

“We’ve both got good jobs, we own our own home and have always been able to afford what we wanted, but now we’re constantly worrying about money and how we’re going to pay the bills and still manage to feed the family.”

The current economic climate is impacting consumers both rationally and emotionally and support from financial providers will need to be multi-faceted

The Cost of Living Crisis is leading to an increase in the size of the 'vulnerable' audience

Covid encouraged a sense of **'we're all in it together'** as we saw in 2020/21 and now the Cost of Living crisis is having a similar impact with the wider population now appreciating the scale and impact of current economic conditions

Beyond the immediate impact on personal and household finances, the CoL is causing far wider implications on:

- People's anxiety & worries
- Relationships
- Future plans
- Confidence & self-doubt
- Social lives & friendships

...Which all ultimately impact on the mental health and wellbeing of the UK population



The CoL crisis is exacerbating the challenges for many who are already vulnerable, but also leading more consumers to feel both financially and emotionally exposed


Rising household costs are resulting in increased budgeting and reduced discretionary spending




Reduced leisure time spending and socialising can have severe repercussions, with many stating their mental health and wellbeing is suffering as a result of their overall sense of anxiety and inability to know what their future holds


Fears over what 2023 will bring is creating a sense of panic and concern and preventing consumers from making any future decisions

Vulnerable customers desire and need a sense of financial stability and confidence to minimise the impact on their current 'vulnerable' situations

 Rising food and fuel bills, increased mortgage and borrowing costs are all impacting on the disposable income of 'vulnerable' individuals and families as well as the wider population

 Households are cutting back on unnecessary expenditure with leisure time spending (e.g. socialising/eating out) one of the key areas to be reduced

 Scaled back Christmas, reduced spending on presents, food and entertainment and events

 Anxiety and concern and a sense of the unknown as to what the Winter and 2023 would bring is resulting in a lack of overall financial confidence and unwillingness to spend or make future plans in the short to medium term

The focus for many is on financial consolidation and self-preservation

Increased acceptance of 'vulnerability'

Recent events have resulted in a greater acceptance of being ‘vulnerable’

Whilst still not a desirable term for the majority to be associated with, there is a wider acceptance that circumstances, often beyond their personal control can lead them to feeling ‘vulnerable’ without being designated with the banner

Victims of personal and wider economic circumstances, ‘vulnerable’ consumers desire to be treated as individuals and not classified with a group name which suggests:

- Weakness
- Susceptibility
- Disadvantaged



Negative in definition and association, the term ‘vulnerable’ does describe how many feel, but is a personal and sensitive feeling and not one which should ever be used publicly or as a definition for a category of individuals:

“Just because I feel vulnerable, doesn’t mean I want to be treated as being vulnerable and lumped together with everyone else who may have problems. We’re still customers and we want to be treated with respect and perhaps some extra care and attention. But never ever call me vulnerable or mark me down as someone who needs help”

Financial providers and organisations need to be cautious with terminology for categorising ‘vulnerable’ customers, particularly in communications and digital signposting

Whilst rejecting the term ‘vulnerability’ customers can more readily accept their situation by identifying themselves with more generic descriptions

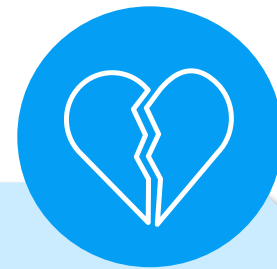
FCA ‘Vulnerable Customer’ drivers:

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Gusto key findings:

In lowering their acceptance and resistance barriers, customers begin to appreciate their own personal situation and become more open to the potential of additional help and support from their financial providers and may encourage them to disclose in certain circumstances.

The FCA drivers encourage customers to associate themselves with the categories and accept to themselves that they indeed may be ‘vulnerable’ as a result of their situation. Case studies can also have a similar effect and encourage individuals to identify themselves with others and accept their own personal circumstances.

Barriers to and Encouraging Disclosure

Despite a greater acceptance that anyone can become vulnerable, barriers still exist to disclosing situations to others, particularly to more 'formal' providers

No desire to discuss personal situations and concerns with strangers and more 'formal' organisations

Accepting their own vulnerabilities and situations is not always easy, but revealing these to others (even to friends) can be a difficult and for some insurmountable task

Emotional and psychological barriers can exist which prevent individuals wanting to open up about their circumstances, particularly to organisations they have more 'formal' customer vs provider relationships with

Anxiety caused by their vulnerability and situation may result in an ability to face their issues and seek help

For some, a lack of understanding how, or if, a financial provider would be able to help them

Concern that disclosure could impact current agreements and future financial plans

“If I told my bank that I was worried about my financial future because of the divorce they might stop my credit card or stop me from re-mortgaging when my deal ends. I can't really see how they could help me as I signed up for what I have with them”

However, recent communications and publicity of financial providers offering more flexible solutions to those in need has encouraged some to appreciate that help may be available if situations are disclosed



Whilst some still appreciate the personalised approach via telephone, digital is becoming a more acceptable comms channel



 24/7
Access

Access to information at all times and ability to communicate personal circumstances and need for assistance at the most opportune moment when rational and emotional capability may result in the ability to be open to disclose

 Anonymous
& Discrete

Speaking to an individual will always be first choice for some vulnerable customers, however a growing acceptance that dealing with issues via digital comms does have its benefits in that it can result in a less emotionally charged disclosure and can avoid any embarrassment or additional anxiety

 Convenience

Customers can have all their relevant information to hand before starting communications, being prompted with digital lists etc. from information provided on help pages

“If I read something online that could help me, I want to be able to contact them there and then to be able to send an email or do a live chat offers me the chance to deal with a problem at that moment”

Providers need to offer a variety of communication channels to encompass all needs and preferences and ensure a phone number is available for those in need of the direct and human approach, sensitivity and enhanced empathetic response

Helping Vulnerable Customers through the Cost of Living Crisis

Anxiety and uncertainty are the key factors being expressed as a result of the Cost of Living crisis



Flexibility and a degree of certainty and protection are core expectations and desires from financial providers

Flexibility

Interest Rates
Payment periods/holidays
Terms and Conditions

Tailored Solutions

Reflecting on personal circumstances
No more 'computer says no'

Proactivity

Offering best rates
Fair deals for existing customers
Recommending best rates for mortgages, savings etc.

Advice & Guidance

Budgeting tips, digital tools
Support comms – email/letter
Overdraft texts

The pandemic has taught many that help is available if they reach out and that financial organisations are now more willing to offer help and support to customers through greater flexibility both in terms of products and their service offering

Communicating help and support with tangible solutions encourages vulnerable customers to accept their situations and potentially reach out for support and assistance before issues become worse and seemingly insurmountable, also reducing anxiety and improving mental wellbeing

Communication is key, making customers aware that their concerns can be overcome

When consumers feel their problem is more widespread they become more accepting that help and support is out there and accessible to them

Communications including case studies and examples of how many people are having CoL issues and anxieties encourages customers to reach out to their providers for help and support



Supportive Emails

Supportive and empathetic
Inclusive that everyone is suffering
Tangible and flexible solutions
Contact details – digital and phone



TV and Social Media Campaigns

Communicating support and highlighting potential solutions



Information Web Pages

Avoiding any 'vulnerable' terminology
Providing practical hints and tips to help with CoL



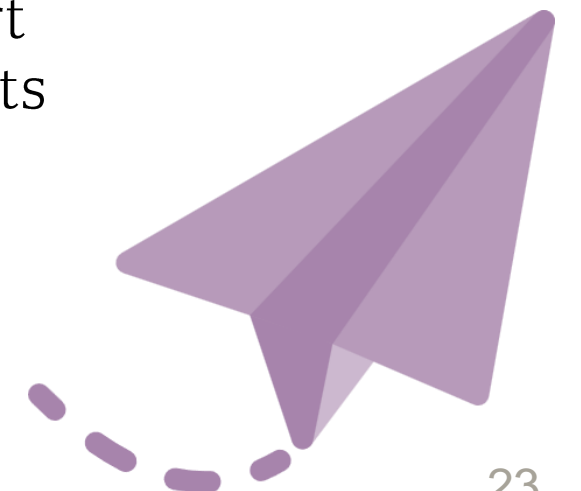
“I’ve had a fair few emails through from my banks and loan company informing me that if I’m having issues because of the Cost of Living crisis that I should contact them as they may be able to help. They’ve also given a few hints and tips on how I could save money which I read and have implemented some of the suggestions”

Practical support offered through general communications suggests inclusivity for all and encourages customers to feel less anxious and boxed in by their own personal vulnerabilities by realising that others are also suffering

Key Considerations

Key Takeouts and Considerations

- 1 The recent pandemic and current CoL crisis is generating higher volumes of 'vulnerable' consumers and an increase in anxiety is leading to a potential mental health explosion
- 2 Many households are reducing expenditure as a result of reduced disposable income and increased outgoings on energy and food etc.
- 3 Reduction in leisure time spending and going out is increasing the sense of anxiety and impacting on the mental health of both the vulnerable and the wider population
- 4 A lack of uncertainty and constant anxiety caused by the rising prices and constant coverage by the media is resulting in the inability to make short/medium term plans with many feeling their lives are on hold
- 5 Desire for a degree of certainty, particularly in relation to energy prices and mortgage interest rates
- 6 Whilst being 'vulnerable' is now more widely accepted due to recent events, the term and classification is still broadly rejected and viewed as undesirable with negative connotations
- 7 Disclosure of vulnerabilities still remains an issue with doubt over the level of assistance that would be provided by financial providers and the long term impact of such actions
- 8 Despite the general unwillingness to disclose, greater awareness exists that financial providers have the ability to provide help and support through more flexible product and service solutions
- 9 Digital channels are becoming a more acceptable communication format due to their perceived anonymity and convenience
- 10 Communications offering tangible support and product solutions combined with hints and tips on how to service the CoL are cutting through and are appreciated by vulnerable customers



Straightforward approach • Clear commercial thinking



To get in touch:

Tel 0113 268 9020
Email hello@gustoresearch.com
Visit gustoresearch.com

Follow  @gustoresearch

Charside House, 58 Street Lane, Leeds LS8 2DQ

