



A SAFETY NET

Consumer vulnerability, the 'V' word, is a hot topic for regulators, the media, consumer lobbies, academics, mental health charities and, in spite of Brexit fever, is also on the radar of government.

Mike Bradford, director of the recently formed Vulnerability Registration Service, looks at a practical solution to protect vulnerable consumers and turn rhetoric into action.

Organisations in all sectors, and lenders in particular, have a social, moral and regulatory responsibility to identify and treat potentially vulnerable consumers with sensitivity.

While we tend to talk about vulnerable consumers in the third person, vulnerability can affect any of us during our lives for a multitude of reasons:

- personal or family issue
- financial stress
- mental health
- job loss.

THE VULNERABILITY CHALLENGE TIME FOR ACTION

In fact, anything that causes us, as individuals, to suffer some form of hardship that should be factored into how we are treated by those organisations we deal with, or those soliciting our custom, for example charities.

Almost two years ago in February 2015, Martin Wheatley, the then chief executive of the FCA, called for action in this area: "We all know somebody in a vulnerable situation and we can expect the number of people who find themselves in those circumstances to grow over the coming years. We all need to start thinking about what the solutions to these challenges will be."

This message has been reinforced in the FCA's Mission Paper published on 26 October 2016. Andrew Bailey, the FCA's chief executive said: "People can become vulnerable at any time in their lives. It can be temporary or permanent. Our paper into consumer vulnerability found that vulnerability is not confined purely to a consumer's situation. It can be caused and exacerbated by firms' actions or processes. We know that wealthy consumers may also be vulnerable. We must meet the Public Sector Equality Duty of the Equality Act 2010. As a regulator, we aim to afford more protection to those with less financial capability."

Martin Lewis, founder and chair of the Money and Mental Health Policy Institute (MMHPI) also identifies the growing urgency of the situation: "The relationship between money and mental health is toxic. Every day I hear from people who struggle to control their spending in periods of poor mental health. While there is general demand from consumers for everything to get faster and easier, including shopping and accessing credit, for those with mental health conditions, that make them prone to crisis spending this can be dangerous."

While the causes of vulnerability are wider than mental health, the link is incontrovertible as is the relevance to the credit industry.

A quarter of people with a mental health problem also have problem debts. Half of those in debt crisis have a mental health problem. Problem debt can make it harder to recover from mental illness, and three times as many adults with mental health problems report debt or arrears, compared to those without mental health problems (MMHPI).

A personal view is that we are still struggling with the vulnerability agenda and how to move this into practical actions. It can be all too easy to identify the problems in this area, rather than what is achievable even as a starting point.

Cutting through the plethora of vulnerability definitions, in simple terms we are vulnerable when due to our personal circumstances, we are especially susceptible to detriment, particularly when an organisation is not acting with appropriate levels of care.

For the credit industry, this is the test the FCA will apply when assessing 'know your customer' obligations. Consumers in vulnerable circumstances will be significantly less able to represent their own interests, and more likely to suffer harm than the average consumer.

It is against this backdrop of a proven urgent need to push the agenda from debate and discussion to one of 'doing', that the Vulnerability Registration Service (VRS) is being developed to help vulnerable consumers protect themselves against the financial, social and very personal hardship suffered as a result of their vulnerability.

The VRS has been discussed with regulators (Information Commissioner's Office and Financial Conduct Authority), a number of trade associations and lenders, consumer lobbies and mental health charities, and has been received very positively.

As a private sector initiative, independent of any other database provider or credit reference agency, the sole purpose of the VRS is to protect consumers and provide organisations with a tool to complement their regulatory and social responsibilities around dealing with vulnerable people at a particular point in their lives.

VRS recognises the many forms of consumer vulnerability and provides a single reference point for consumers and organisations, enabling an individual's vulnerability issues to be handled sensitively and professionally.

By keeping things simple as a starting point, it is possible to circumvent many of the challenges around data sharing. The service is designed to offer a simple solution to help vulnerable individuals and their representatives register

themselves to prevent inappropriate marketing and/or financial offers.

Importantly VRS does not replace an organisation's responsibilities for identifying and counselling vulnerable consumers, but provides a 'decision agnostic' platform for consumers and the organisations they deal with as an additional safeguard for consumers during their period of vulnerability.

VRS does not indicate why a consumer may be vulnerable nor does it process the information supplied, other than for providing a platform for optional user interaction when the individual's particular circumstances can be discussed with the consent of that individual.

Rather than creating a multitude of vulnerability flags according to vulnerability type, VRS uses a very straightforward proprietary set of flags that signify the source of the register entry, typically the consumer themselves, either directly with VRS or through a user of the service, for example a lender, or a third party with a signed client authority or legal mandate to operate on the consumer's behalf, i.e. power of attorney.

In some instances, the individual may opt to be declined for any credit related services they apply for or for any application to be manually underwritten to ensure that their circumstances are fully taken into consideration. The VRS flag will identify this choice.

CREDIT STRATEGY

Vulnerability is at the heart of many creditors agendas right now and in a timely fashion the Vulnerability Registration Service (VRS) has been created, with plans to launch in the new year.

Helen Lord, co-director of VRS, discussed how the platform will work at the CCTA's 'Stronger Together - Going Forward' conference in Nottingham.

The VRS is an independent private sector data processor with the purpose to protect consumers and provide organisations with a tool to help deal with vulnerable people.

It is run by seven co-directors who all have backgrounds in the consumer credit market.

Vulnerable customers will use the platform to record their personal circumstances when they are looking to protect themselves from further debt or related financial problems. When vulnerable consumers fill in the register it can be as simple as only having to fill in their name, address and date of

birth. The system will automatically remind consumers they are on the register every three months. This means the consumer can update their personal situation or remove themselves from the list altogether.

Lenders and creditors will be able to subscribe to the platform and therefore access all of its data.

VRS said the platform could be used as a starting point when companies make decisions on customer engagement strategies such as arrears and collections.

Because the register is a data processor it does not need to be regulated by the Financial Conduct Authority (FCA). However, VRS said it has had a 'positive dialogue' with the regulator during the register's development. Bruce Turnbull, co-director of VRS, said: "Data sharing between financial services and utilities and telecoms is unheard of but they all have vulnerable customers so could be using just one platform."

A NEW VULNERABILITY REGISTER FOR CONSUMER CREDIT