

# Financial Literacy and Vulnerable Complainants

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# Structure

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Consumer policy context

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Financial literacy issues

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Vulnerable complainants

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Implications for the development of standards



# Consumer policy context



# Consumer policy context

Consumer complaining behaviour	Policy developments
Significant increase in complaints	Government proposal to abolish the Money Advice Service
'Silent sufferers'	Development of standards - UK and International
Where to go for advice	Consumer Scotland?

Financial Services Consumer Panel 2016; BSI 2016; Brown 2016;  
Financial Ombudsman Service 2016; Business, Innovation and Skills 2014



# Consumer trust in financial services

## Which? Consumer insight survey 2016

Financial services	Consumer trust	Consumer distrust
Banking	44% (up 8%)	28% (down 5%)
Longer term financial products	25% (up 2%)	34% (no change)



# Financial Literacy



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# Financial Literacy – a definition

*Financial literacy is a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.*

(Organisation for Economic Co-operation and Development 2015)



# Financial Literacy in the UK

Financially capable behaviour remains stubbornly low

Around 6 in 10 manage their money well

4 out of 10 adults are not in control of their finances

8 million are over-indebted

Some evidence of a decline in skills & knowledge

Lack of confidence is an issue

(Money Advice Service 2015)



# Financial behaviours in UK

## Behaviour statements

77% carefully consider purchases

89% pay bills on time

80% keep close watch on finance

43% responsible and have a budget

## Financial product choice

68% actively saving or buying investments in the past year

16%...after shopping around and using independent information and advice

91% have not borrowed to make ends meet

(Atkinson and Messy 2012)



# Variations by socio-demographics

**Women have lower levels of financial knowledge** than men in most of the countries studied

67% of men in the UK scored 6 or more on the knowledge measure, just 40% of the women achieved this level (in Germany it was 67% of men and 50% of women)

(Atkinson and Messy 2012)



# Variations by socio-demographics

**Middle age associated with higher financial literacy** while older and younger people have lower scores

**Higher income linked to higher financial literacy**

**Higher educated** have higher scores, **positive behaviours**, attitudes and advanced knowledge

(Atkinson and Messy 2012)



# Financially vulnerable customers

Financially vulnerable customers have been identified as those that have struggled to pay their bills and had to cut back on spending

(Baringa 2016)



# Financially vulnerable customers

**1 in 3** people in the UK consider themselves to be **financially vulnerable**

Only 3% of energy and 4% of banking customers have been identified as vulnerable

Of those customers who have informed their energy company or bank about their financial situation, **only one fifth** are **acknowledged as vulnerable**

(Baringa 2016)



# Role of the UK Regulator of Financial Services

Consumers with *non-standard risk factors* find it *hard to obtain insurance cover* or have to pay higher premiums when they do find it. The industry's *lack of transparency about the assessment of risk fuels a lack of trust* in insurers and insurance products



(Financial Conduct Authority 2016)



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# Vulnerable complainants



# Vulnerable complainants

Sectoral

Long term/  
temporary

Characteristics

Situational

Personal  
circumstances

Behaviour of the  
market toward  
consumers



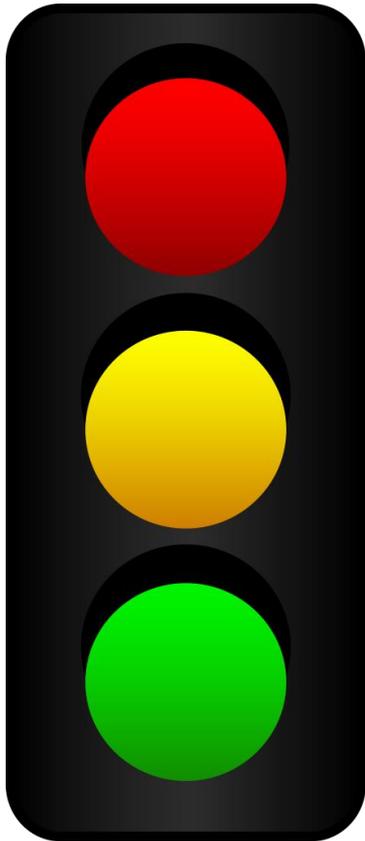
# Vulnerable complainants



(Legal Services Consumer Panel 2014)



# Different types of vulnerability



**Red light – Particularly vulnerable**  
*Greatly heightened risk of detriment*

**Amber light – Vulnerable**  
*More likely to experience harm, loss or disadvantage*

**Green light – Potentially vulnerable**  
*Possible future change*

(Money Advice Trust and University of Bristol Personal Finance Research Centre 2016)



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# Financial Conduct Authority definition

*A vulnerable consumer is someone who, due to their personal circumstances, is especially susceptible to financial detriment, particularly when a firm is not acting with appropriate levels of care.  
(Financial Conduct Authority 2015)*



# BSI definition: BS18477

*The condition in which a consumer is at greater risk of mis-selling, exploitation, or being put at a disadvantage in terms of accessing or using a service, or in seeking redress.*

British Standard on Inclusive Service Provision  
(BSI 2010)



# Consumer Dispute Resolution Centre view on complainant vulnerability

Multidimensional concept

Dynamic and transient

We all have the potential to be vulnerable when placed in a consumption *situation* over which one has little control

Impact of the market on consumers



# Complaints in the UK

18.7 million problems with goods and services in previous 12 months

Just 6% complain to an ombudsman

1,631,955 enquiries made to the Financial Ombudsman Service 2015/16

3 in 4 adults trust the Financial Ombudsman Service

Over half of the complaints are about PPI

Complaints about packaged bank accounts doubled between 2015/16

(Financial Ombudsman Service 2016; Business, Innovation and Skills 2014)



## Who complains to the Financial Ombudsman Service (FOS)

- 31% AB Professional and managerial
- 56% C1/C2 Skilled and semi-skilled
- 13% DE unskilled

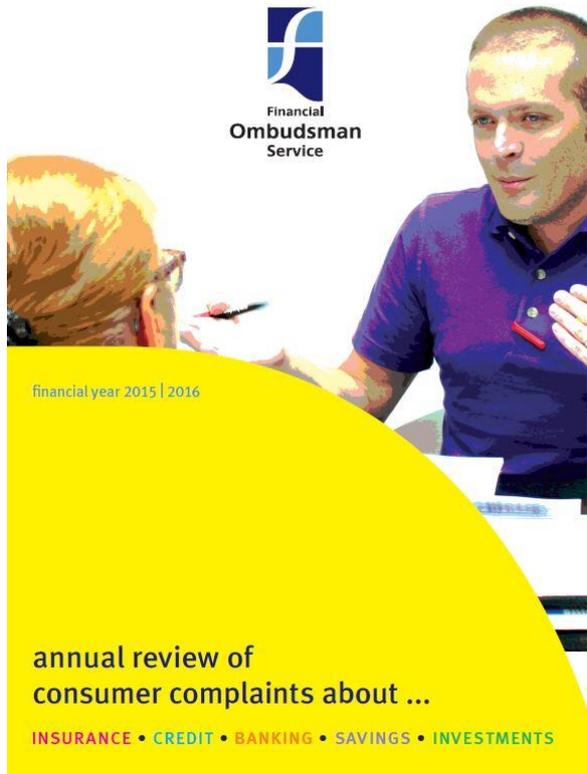
## FOS complaints upheld by socio-economic grouping

- 53% AB
- 55% C1/C2
- 57% DE

(Financial Ombudsman Service 2016)



# Building trust in financial services



**National Centre for Diversity**

**Winners 2016**

Financial Ombudsman Service  
named **public service  
organisation of the year  
in 2016**



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# What vulnerable complainants want

**Complaining is not a pleasurable activity: it is resource-hungry and stressful**

***Worth it* predominantly when change is successfully achieved**

(Simmons, Brennan, Gill and Hirst 2013)



# Implications for the development of standards



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## Consumer Perspective

A shift in mindset is required...which requires service providers to **ask not**

***What is wrong with this person?***

but

***What is wrong with my service if this person cannot access it?***

(Legal Services Consumer Panel 2014 )



# Financial Services: Simple Products

- Sergeant Review 2013
- Simple products that 'do what they say on the tin'
- 9 Principles
- BSI Certification
- To promote trust in financial services
- First product launched in 2014 by Barclays – Fixed Term Life Insurance



(BSI 2014)



# Role of the UK Regulator of Financial Services

Consumers get financial services and products that ***meet their needs*** from firms they can ***trust***



(Financial Conduct Authority 2016)



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# Ensuring opportunities for voice

**Voice** is key in reducing consumer detriment and making service improvements



Advocacy

Role of the BSI  
Consumer  
Policy  
Representatives



# Closing comments

Financial literacy remains a challenge in the UK – need to improve the knowledge and skills of women, older/younger and low income consumers



Financial services companies need a clearer focus on identifying and supporting vulnerable consumers and improving access to simple products



Empower consumers – ensure the consumer voice is heard and represented



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Thank you



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