

Financial Literacy and Vulnerable Complainants

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20 July 2016



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Structure

Consumer policy context

Financial literacy issues

Vulnerable complainants

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

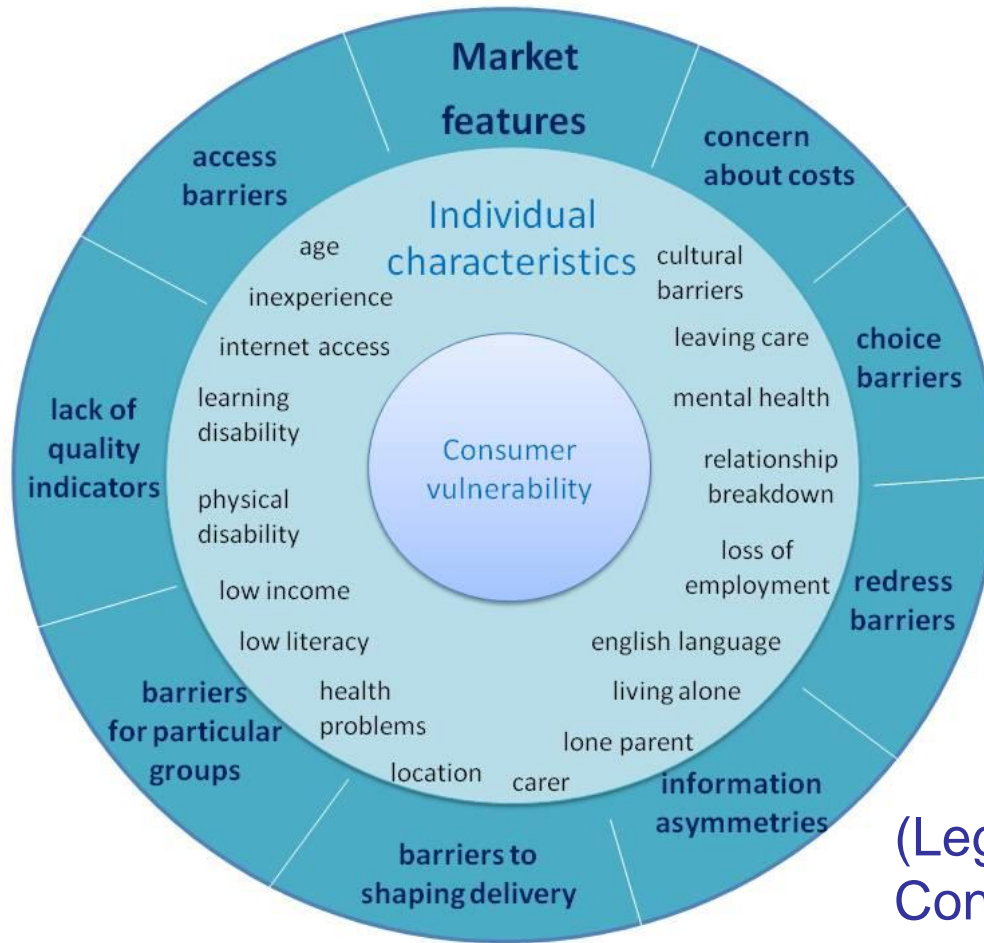
Situational

Personal
circumstances

Behaviour of the
market toward
consumers



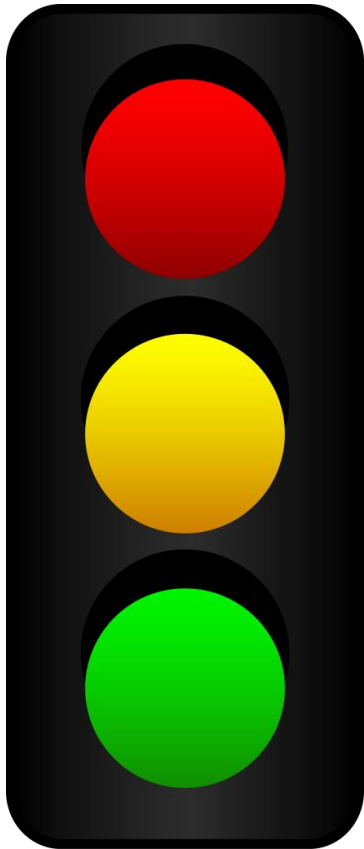
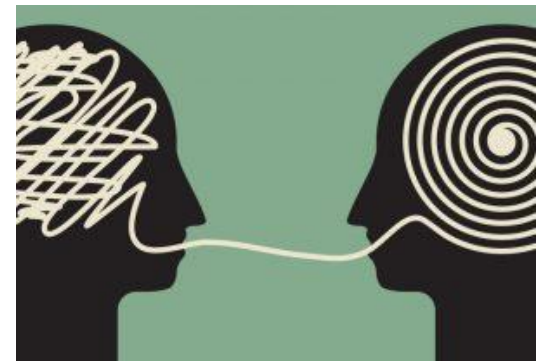
Vulnerable complainants



(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)



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

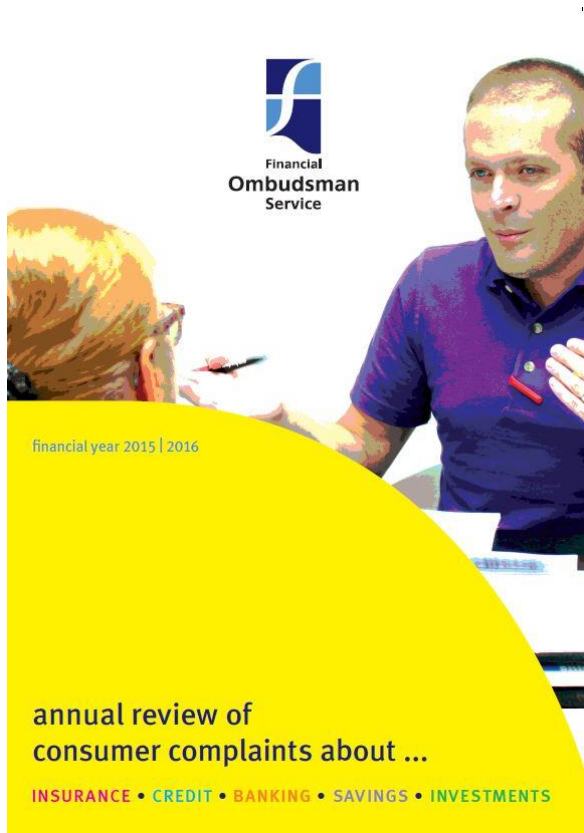
FOS complaints upheld by socio-economic grouping

- 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



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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Acknowledgements

- George Wilson, BSI CPIN member
- Anne Hastie, BSI CPIN member
- Martin Coppack, Financial Conduct Authority
- Sharon Collard, Professor of Personal Finance Capability, Open University Business School



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Thank you



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