



Collaboration Network

Supporting Cross-Sector Collaboration

Financial Services Sector Special Focus Group Report:

2022 Series

Session 2

Session Focus Topic:

Collaboration on the Consumer Duty

A view from across the sector

10th March 2022



www.collaborationnetwork.co.uk



Session Focus Topic: Collaboration on the Consumer Duty

A view from across the sector

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Focus Group Agenda

10th March 2022

- 09.50 - 10.00: Open for delegates to join in advance
- 10.00 - 10.15: Introductions & Agenda from Chair,
James Daley, Managing Director of Fairer Finance
- 10.15 - 10.45: Facilitated Mixed Breakout Session 1:
The Consumer Duty expects us to offer services to customers in the way that they need it. How do you really know who your customers are, and what more needs to be done to demonstrate the service you offer is based on your customers' needs?
- 10.45 - 11.00: Group Feedback & Discussions with all
- 11.00 - 11.30: Facilitated Mixed Breakout Session 2:
Diversity and inclusion – How can we ensure that there is no unconscious bias happening in the way we offer our services and support to our customers – and how do we measure and monitor that good outcomes are being reached for all protected characteristics?
- 11.30 - 11.50: Group Feedback & Final Discussion with all
- 11.50 - 12.00: Setting & Agreeing Objectives ahead of Focus Group Session 3



Represented Organisations In Attendance

1. Action 365
2. Allianz
3. Aptean
4. Auden
5. AXA
6. BGL Group
7. Billing Finance
8. BSI Group
9. Collaboration Network
10. Covea Insurance
11. Data on Demand
12. Eastlight Community Homes
13. Fairer Finance
14. Financial Conduct Authority
15. Furness Building Society
16. Gain Credit
17. Gallagher
18. Harpenden Building Society
19. Home Serve
20. HSBC Australia
21. HSBC UK
22. Insurance Australia Group
23. Legal and General
24. Life Ledger
25. Lloyds Bank
26. London and Country
27. M&G Group
28. Money & Pensions Service
29. Nationwide Building Society
30. Next
31. ONMO
32. Oodle Finance
33. Phoenix Group
34. Reach Out
35. Saga
36. Standard Life
37. The Co-operative Bank
38. The Coventry Building Society
39. The Exteter
40. The Lending StandardS Board
41. The Very Group
42. V-CX
43. Vanquis Bank
44. Zopa Bank



Chair & Facilitators



Chair & Facilitator



James Daley

Managing Director of Fairer Finance & Financial Ethics
Champion at Collaboration Network



Facilitator



Philip Hiron

Senior Operations Manager at Billing Finance



Facilitator / Scribe



Will Archer

Director & Co-Founder at Collaboration Network



Background

We are continuing our Special Focus Group Series in Financial Services for 2022 with an emphasis on the new Consumer Duty regulations that come into force in Spring 2023. Having looked at Customer Understanding in our first session, session 2 was focused on Customer Support, specifically discussing how organisations are going about identifying customers and their specific needs and how products and services are delivered to provide good outcomes for all customers and how unconscious bias may be avoided.

We continue to have input and guidance from the FCA, the Financial Ombudsman Service and the Lending Standards Board and the steering and insight of the series' Chair, James Daley of Fairer Finance.

The second session in the Financial Services Special Focus Group series had participants from 44 organisations who came together to discuss these issues. It is very important to us that collaboration occurs on as equitable a basis as possible, with each member participating on an equal footing. We also want to encourage equality in discussions and the ability to share opinions, so across our Focus Groups we allow everyone the chance to contribute, and operate under Chatham House rules, with nothing attributed to a named participant or the organisation they represent.

What has become clear is that every organisation is in a different place in relation to being able to service the requirements of the new Consumer Duty. However even those who feel they are better placed to meet the requirements recognise that there is still work to be done. We will continue to bring people together to share these issues and to collaboratively discuss the and share best practice to help everyone get to the answers faster.

To underpin this approach, within this report our facilitators have shared some of the key points identified through their conversations and these outputs will be combined with learnings from the entire Special Focus Group series in 2022 to form the basis of an end of year Master Report.

Our third session in the series will look at Fair Value and the importance of complaints in supporting this aspect of the Consumer Duty.

Together, we can go further.

Mark Bailey

Co-Founder & Director
Collaboration Network





Breakout Session One:

Topic:

The Consumer Duty expects us to offer services to customers in the way that they need it. How do you really know who your customers are, and what more needs to be done to demonstrate the service you offer is based on your customers' needs?



Group 1: Facilitator - James Daley
Managing Director at Fairer Finance

- Extension of evidence to understand target market and customer base. Evidence of existing work; for some firms that breakdown is easier.
- Various publications and financial life surveys.
- Our own customers provide a great source of information: customer calls, feedback and data available. It's not just one level - there is behavioural data and quantifiable data.
- External research to understand the impacts on customers.
- Understanding challenges outside of the market that impacts customers such as household bills. What does that look like for our customers and their affordability. These are tipping points, such as fuel prices, energy prices, and the cost of living.
- It's important to access internal and external insights into customers such as through media, research, and through various publications. This can also be achieved through collaborative initiatives such as these focus groups and in the sharing of best practice.
- For some sectors such as pensions and savings, we have both high net worth and low net worth customers. There can be long gaps between speaking with our customers and as such so much can change with their circumstances in between these periods.
- One firm feedback that they had a pretty good idea on who their customers are geographically, demographically, but we don't always know their needs. We know who they are but to what extent their needs are being met buy our product set is less clear.
- Understanding our target market is clear, suggested one firm, understanding those at risk of harm is less clear.
- Can education of product risk overcome the issue with understanding needs if the customer agrees to take the product? Is it their choice?
- In response to the issue of customer choice and consent regardless of risk, it was suggested that firms should have sufficient data, insight and feedback through complaints, arrears and late payments to form a clear understanding about their products, risk and customer needs. Placing customer needs ahead of business growth/commercial targets was a conversation point, and acknowledged to be at times an internal conflict within some firms among those focused on commercial opportunities versus those focused on protecting customers.
- Customers underserved by mainstream lending options means short term loans and revolving credit. Customers who take short term credit: If they keep coming back is it the right product? These products aren't designed to be a long term solution. Customers need to be informed that these aren't the right products for them and steer the customer towards the right product even if that means directing them to an alternative company/provider. There is an obligation to do the right thing by the customer, prioritising their needs over commercial opportunities.
- It was suggested that practical advice and guidance should be provided to the customer along with all relevant information to make sure the customer is making the right decisions for themselves.



- The question of identification methods was raised, where the preferences of the customer may conflict with their needs. Where this exists firms should ask themselves have they asked the customer the right questions and framed the conversation in the right context.
- It was acknowledged that there is a fine line between getting it right and getting it wrong.
- The role of third parties and intermediaries was raised in relation to vanilla products such as savings versus riskier products such as mortgages. How can there be advice and guidance issued at the early stages perhaps by brokers or financial advisors. Can the education begin earlier along the customer journey?
- It was suggested that the autonomy of customers' needs to be respected and not infringed upon. There has to be a clearly defined line and overstepping that line needs to be strongly evidenced.
- Currently third parties can't always give advice, just facts.
- It's difficult to be able to highlight customers vulnerability without their consent.
- In relation to early stage intervention, there was a discussion around communication and marketing. This is the earliest point of the customer journey when they are learning about the products available to them potentially through advertising and direct marketing. Customer journey mapping can show what both good and bad outcomes look like, it's not black and white is various Shades of Grey. It's not always that your product is wrong, but that there are better products out there more suitable for that individual customer.
- The less you engage with the customer the harder it is to understand their needs.
- Someone suggested that inertia could be a problem.
- There is a need to balance communications and marketing objectives versus servicing customers' needs.

3 Key Takeaways

1. It's important to look beyond your own market and understand the wider impacts affecting consumers to gain a better understanding of the wider issues likely to be impacting your customer.
2. Understanding your customer is a challenge that requires a multi-channel approach. Data can fill in some of the blanks (complaint data for example) but it's important to monitor outcomes and constantly seek to engage and open channels of communication with customers that's proactive yet in-line with their own preferences, and not overstepping any lines.
3. External collaboration can help us to better understand our customers. Through partnerships and open dialogue platforms, firms can build their knowledge and awareness of the issues their customers face and how they can better support their needs.



Group 2: Facilitator - Philip Hiron

Senior Operations Manager at Billing Finance

- One organisation commented that the senior executives had taken more interest in Consumer Duty but that this posed its own challenges as, in their case, the Execs wanted to move more quickly and did not grasp the whole change implications that compliance brought with it.
- Another company stated that it was early days for them in everything relating to consumer duty – and this was echoed by other participants. They said that they were undertaking a discovery phase as they felt it was necessary to evidence their true position before they took action. As a part of this they were incorporating existing data points of complaints, customer services and their customer representation group.
- Another firm had completed the gap analysis and was concerned about the validation of customer understanding and they believed that their senior leadership had not grasped the significance of this aspect of the changing regulations.
- There was discussion around the role of KPIs for teams leading customer engagement and it was widely supported that these are counter productive, often driving the wrong behaviour. More customer centricity was seen as a better approach. This then evolved into a conversation on inclusive design; providing a better product/service to support better customer engagement.
- One organisation with a predominantly digital/online product set had been working on understanding their customer base using data to build personas. These personas are then shared across the business and, vitally, presented to the customer engagement agents to compare these against real customer engagements to enhance the personas still further.
- One firm with what they described as a “vanilla” product set believed that they would find it more difficult to understand their customer base, but did see that they would need to re-visit perceived demands and needs.
- A participant talked about the use of review sites to understand more about the customer base, actively encouraging direct feedback on all their engagements.
- One company commented that the general view was that they were in a strong position vis a vis Consumer Duty, but he wanted further reassurance as he felt that their current service was probably not as well aligned as they thought and there was likely to be work to be done.
- One participant stated that this activity to undertake clear identification of customers and their needs “was not easy”. They were using all available internal and external data, including Financial Lives Matters and anecdotal information for the news and media. They were using the post sales performance of arrears and complaints as an indication of the suitability of the product. But he did strike a note of caution – circumstances change for customers, especially now and recently, and they are striving to meet needs but to avoid causing harm. He raised the question of how far does the company go to protect customers and themselves when customers insist on making bad choices. And then the internal dilemma within a business – working with marketing to provide different messaging around products that may be totally counter to the messages they were promoting before to encourage uptake and sales.



3 Key Takeaways

1. Most companies are in a gap analysis/discovery phase, which is to be expected.
2. Some organisations already have a wide range of stakeholders and may be working at different speeds in different areas – with leadership pushing to move more quickly.
3. Getting the customer engagement teams to contribute to or validate the customer personas and understanding of who your customers are.

Breakout Session Two:

Question:

Diversity and inclusion – How can we ensure that there is no unconscious bias happening in the way we offer our services and support to our customers – and how do we measure and monitor that good outcomes are being reached for all protected characteristics?



Group 1: Facilitator - James Daley
Managing Director at Fairer Finance

- You have to establish first what unconscious biases you could have within your firm and then ensure you have the right people who can overcome these.
- It is important to help you understand the way you engage with your colleagues.
- Identify what unconscious biases you may have and then build your culture around this.
- When it comes to customers and unconscious bias you have to identify where it might be, the point of sale, the onboarding process, regional activities.
- Identifying unconscious bias has limitations or into people not seeing them not understanding they exist.
- This isn't necessarily about specialisms come on it's about diversity of thought and diversity of thoughts mapping. Tap into unconscious bias to identify it and educate to yourself to help understand why you think the way you do.
- There are challenges around hiring people as we tend to gravitate towards people like ourselves unconsciously.
- Cognitive diversity is needed to achieve cultural change.
- How can you measure unconscious bias? Someone isn't going to necessarily disclose their protected characteristics or ethnicity.
- How can we measure the success or failures to better understand our approach?
- There is a shift needed for unconscious bias to become more outwardly focused and not inwardly focused.
- Fundamental change is needed to flip the script on how businesses approach this.
- Not every person will have the same unconscious biases. Even firms with good diversity can have unconscious bias. You will find different biases at different levels of the business.
- It's important to constantly challenge your thinking in the moment.
- Customer mapping: by understanding what happens if they have a range of characteristics, you can lead a path towards good outcomes, without mapping and profile building you can't see all the different outcomes.
- Traditional outcome testing broken down by specific characteristics assessing their real life journeys and testing strategies.
- Persona testing: initiate different scenario testing e.g. online forbearance testing, and add characteristics as they go, e.g. visual impairment, and test to see what good outcomes there are.
- Non-discriminatory services is an obligation and shouldn't necessarily mean a vulnerable customer.



- Look at the life cycle of your product and how that changes over time and the changing profile of your customer and how that changes overtime too.
- As time changes and customer circumstances change, how are we adapting to this change too?
- It's difficult to understand changing dynamics with customers if we are only engaging at the point of renewal or when complaints are raised.
- Efficacy driven from disclosure and follow up action. Courtesy call, action driven from knowledge. Transactional engagement versus quality customer support engagement, especially where certain characteristics or situational vulnerability has been captured.
- We want to avoid tick-boxing exercises and fully embrace diversity and inclusion through the use of penetration testing.
- Reverse-engineer the product, "rip it apart". Interrogate the system, full testing, not from an it perspective but from its impact across all areas such as compliance, diversity, inclusion, vulnerability, etc. Does it mean all of the needs?
- Vulnerability champions within a business can always be looking to quality check products and services.
- There are opportunities through third parties and through the lived experiences of a panel of consumers.
- One danger from the consumer duty is the language of 'putting yourself in the customers shoes' which is making assumptions blighted by unconscious bias. Actually, you should ask the customer rather than speculate.
- Stress-test processes, interrogate them. Ask different questions. Ask difficult questions. Get the insight you need. Dig to get to the truth, even if it's an uncomfortable truth.

3 Key Takeaways

1. Unconscious biases need to be checked for, investigated, tested and acted upon.
2. Internal champions can be appointed to spot-check and quality-check products and services to identify issues relating to unconscious biases.
3. Scenario testing through persona/profile examinations can help shed light on different outcomes for customers, who have different needs and requirements.



Group 2: Facilitator - Philip Hiron
Senior Operations Manager at Billing Finance

- The first contributor commented that Consumer Duty marked the point where having a policy on vulnerable customers was no longer good enough – now we have to prove that we are doing it.
- Another organisation commented that they didn't do a great job when it came to VCs and that they had a preponderance of older customers that they had inherited by acquisition. They were now recognising this and taking steps to change accordingly.
- One participant commented that capturing the right level of data on customers was a challenge and required significant retraining of colleagues dealing with customers. The number one issue was actually identifying those with protected characteristics which is further challenged by some characteristics not necessarily indicating vulnerability – eg age and the changing nature of vulnerability eg someone could be financial vulnerable now but not come under any of the protected characteristics.
- Conversation was seen as a key tool to understand more about customers, with trigger words and phrases indicating vulnerability – or rather the impact of their situation, which was seen as more important than their underlying situation.
- Automation and AI was seen as having some benefits, eg. Speech analytics, to augment human interpretation. If this works in real time, prompting the agent, this can have a more significant impact. It was commented that larger companies have an advantage to leverage technology and implement more costly solutions, although the FCA recognise this and are interested in “reasonable effort”.
- The question was posed around distributed skill set in CS staff or a specialist team. The most robust response to this was both – a level of skills to all agents with a specialist team for escalation in more complex or severe cases.
- One participant comments that they were continually checking with customers that the services worked for them and continually changing the customer journey as a result.
- A major concern was that supporting vulnerable customers at the customer contact point was seen as being in reasonably good shape, but this is different story across the whole business, which needs to be addressed to meet the requirements of the Consumer Duty. It was seen that this may require a full cultural change across some organisations.
- One firm stated that we need to understand that we cannot deliver the absolute best outcome for each and every customer.

3 Key Takeaways

1. There has been a lot of work on identifying vulnerable customers but more work is needed as it varies by organisation. It is more difficult for smaller firms, but the FCA recognises this
2. Technology can help with some speech analytics platforms now offering impressive results.
3. A specialist escalation team enhances front line skills.



Quotes

“The Consumer Duty is probably the single biggest shift in regulatory approach that we’ve seen in the last 20 years and does have far reaching implications.”

“Everybody is waking up to the fact they need to get to work on this.”

“Considering what harms you are causing in meeting needs is something we need to do. How can we protect customers against making bad decisions.”

“A lot of firms are still identifying their gaps - its a gap analysis stage. There’s still time but certainly, some firms are struggling with competing priorities with stakeholder engagement. It’s not a project that can be ran by a handful of people - it needs everyone to be engaged.”

“The whole consumer duty piece is much harder for smaller firms, it’s a greater ask for a smaller, less resource-rich company than a large international firm.”

“We’ve ripped our products apart to integrate them. We want to eliminate any unconscious biases.”

“Really enjoyed listening to everyone’s thoughts and actions being undertaken in the various businesses. It gives me comfort that we’re all in the same boat!”



Summary

During the course of the discussions it became clear that the majority of organisations are finding their feet in relation to the changes that will need to be made to meet the Consumer Duty, with many still in the gap analysis or discovery phase. As part of this, the importance of wide engagement across firms has been recognised and the challenges of how quickly these changes can realistically be implemented needs to be communicated and understood and then expectations set, especially with senior executives.

There is already a lot of data available from multiple sources within firms, and this needs to be collated, using as many channels as possible to provide engagement with customers. This is enhanced if organisations also look for external collaboration and validation.

All organisations have undertaken significant work in understanding the wider needs of customers, and this needs to continue. Technology offers some advantages here, especially with speech analytics tools, but increased engagement with real customers and continually involving them in reviewing how products and services are actually operating was seen to be paramount.



Next Steps

- The next Collaboration Focus Group takes place on 24th May 2022.
- The Collaboration Network App can be downloaded in the App Store and in Google Play store where you can continue collaboration with peers on the topic of vulnerability as well as other issues such as complaints Handling, Customer Service, Policy & Compliance, Customer Experience, Colleague Welfare, New Ways of Working, Work Culture, Data & Insights, plus more.

Next Session: 24th May 2022, 10.00 - 12.00



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