

Customer vulnerability – our expectations for providers

This information sheet explains the FMA's expectations for financial services firms to prioritise a review of customer vulnerability practices in light of the COVID-19 crisis, focusing on areas we consider immediate priorities.

This document provides further explanation on the FMA's conduct expectations for serving the needs of vulnerable customers, set out in our [April 2020 letter to financial services CEOs](#). We expect to issue more detailed guidance and feedback on vulnerability practices as we continue our engagement with industry over the coming months.

There is no 'one-size-fits-all' approach to developing and embedding processes and practices related to customer vulnerability. However, a firm's responses should reflect its scale, size and complexity, and consider the likelihood of its customers experiencing vulnerability.

The FMA has seen a number of good examples of firms adapting and enhancing their customer vulnerability practices in response to COVID-19. We continue to encourage firms to consider how the design of vulnerability processes and practices can best support their business objectives.

Understanding vulnerability

Throughout our conduct and culture work we have referred to the UK financial regulator's definition of vulnerability:

"A vulnerable consumer is someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care."

The focus on vulnerability being determined by

'circumstances' differs from the traditional view that 'types' of people are vulnerable. Vulnerability can be the result of a specific event or set of circumstances, which can differ in length of time and degree of severity. Vulnerabilities are not always obvious; income fluctuations and debt levels are clear indicators, but financial capability and understanding, disability, and cultural, linguistic, stress and psychological factors may also play a role.

We encourage firms to take a proactive approach to understanding the cause, nature and extent of different vulnerabilities within their customer base. By identifying indicators of vulnerability, firms can develop an understanding of both their customers' needs and effective responses.

While [research from the Commission for Financial Capability](#) has shown that COVID-19 has resulted in significant personal financial upheaval for many New Zealanders, we expect firms to be mindful of all potentially vulnerable customers.

It is important that a firm has a consistent, comprehensive and evolving understanding of potential customer vulnerabilities and how it expects these vulnerabilities to be addressed.

Staff capability

Ensuring all customer-facing staff and intermediaries, senior management, and those in product design and development are equipped with the necessary

skills and confidence to identify, assess and address customer vulnerability is critical for serving the needs of customers. There should also be a more general organisation-wide awareness of potential customer vulnerabilities.

Central to this is ensuring that all policies and procedures are clearly communicated and understood by all staff and intermediaries.

Customer-facing teams, including intermediaries, may need guidance and training on implementing these processes and procedures. Specific areas of guidance could include:

- how to identify circumstances that result in customer vulnerability
- how to address the needs of vulnerable customers
- how to adapt services when assisting customers who show evidence of vulnerability.

Customer service

As firms review their vulnerability practices, we expect them to consider the effectiveness of any change in customer services introduced in response to COVID-19.

Firms should consider how their systems support staff and intermediaries in responding to the evolving COVID-19 environment. Firms can expect both staff and intermediaries to encounter changing and more complex cases, which will require them to have sufficient flexibility within their roles to effectively resolve these cases.

During the pandemic, firms will have been prioritising digital and other non-contact forms of customer communication. However special focus should be given to the significant role face-to-face interaction plays in a comprehensive approach to customer vulnerability.

Firms' processes should help staff record and share information, so customers don't have to repeat

themselves and staff are well prepared to respond. Emphasis should also be placed on ensuring all staff can identify complaints and can refer customers to the firm's internal and external dispute resolutions schemes.

Firms should consider having specialist support available for vulnerable customers, either internally, or externally through charities or third-party providers. This support works most effectively when it is promoted and accessible.

Communications

Given the evolving nature of the COVID-19 crisis, clear communication with affected customers will be vital for minimising distress. We encourage firms to consider what additional communication channels and tailored communications they could use to support customers impacted by COVID-19.


Firms are increasingly using digital communication channels. These can be both a benefit and a barrier for vulnerable customers. Indirect contact can sometimes make it harder to identify lead indicators of vulnerability. However, this risk can be mitigated by, for example, making it easier for customers to disclose their needs through online platforms, or by using data analytics or software to identify indicators of vulnerability.

Next steps

The FMA will engage with fellow Council of Financial Regulators members, other agencies and industry to consider further guidance and feedback on customer vulnerability over the coming months.

As part of a firm's review of their vulnerability practices, the FMA expects processes and practices to have been embedded. We expect firms to be able to demonstrate how they have done this as we continue our engagement in the coming months.

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