Britainthinks
Insight & Strategy

20th March 2020

The challenge of identifying vulnerability: a literature review

Report for UKRN

Contents

Introduction

Executive summary

- **This literature review shows that there is a broad consensus amongst firms that knowing who their vulnerable consumers are is an important first step in being able to ensure they get the support they need.** The review brings together the existing evidence into the most effective ways to do identify vulnerability.
- **The first thing the literature shows is that historically firms have tended to rely heavily on strategies of self-disclosure** for identifying consumers in vulnerable circumstances. This means the responsibility for letting a firm know if additional support is needed, sits with the consumer.
- **There is evidence that self-disclosure has worked effectively for identifying a sub-set of consumer vulnerabilities**, especially those that are static and unlikely to change over time. It has also been shown to work well for picking up individual characteristics that are easier to register during form filling practices (e.g. physical disabilities) and for consumers who are more likely to identify their own vulnerabilities.
- **However, self-disclosure has its limitations.** Evidence suggests that consumers who don't perceive themselves as being vulnerable or who move in and out of vulnerability are less likely to volunteer this information. This means that consumers who need support may not always get it. Furthermore, the risk is that self-disclosure can overlook the complex situational factors that may be driving or worsening consumer vulnerability (e.g. lack of savings).
- **The literature shows that companies have therefore been using a range of techniques to build on and improve traditional self-disclosure approaches**. These include:
    - Facilitating more self-disclosure by identifying and removing barriers.
    - Proactively identifying consumers who are currently, or may be at risk of becoming, vulnerable.
- **The first approach involves a range of techniques, including more training for frontline staff** to facilitate more open-ended and flexible conversations with consumers **and/or providing direct application support for individuals filling in self-disclosure forms.**
    - There are a number of different models that have been developed to do this such as the BRUCE protocol and TEXAS model. For more information see section 3.1.
- **The second involves greater analysis of existing data,** as well as bringing together a wider range of data sets, both from within the company and in some cases from other companies or organisations.
    - There are a number of different models that have been developed to do this such as the Traffic Light System. For more information on this and other data sharing models see sections 3.2 and 3.3.

- **The evidence from this literature review suggests that whatever approach is taken, good communication with customers about who sees their data, how it is used and what the benefits are is really important for success.** However, with more advanced and complex uses of data, this communication, and the data protection and assurance processes supporting it, become even more critical.

Background to the research

The UKRN recognises that one of the key challenges for companies, regulators and government is identifying consumers who may be experiencing vulnerability. Identifying consumers in vulnerable circumstances is important for retaining a diverse consumer base and ensuring that services are designed and delivered in a way that is inclusive for all consumers. However, whilst most companies' and organisations' policies underscore the importance of providing inclusive products and services and highlight the importance of identifying consumers in vulnerable circumstances, there still exists a large gap between policy and the practice of identifying consumers in vulnerable circumstances.

For instance, many services and interactions are underpinned by the notion of the average or 'typical' consumer, and how they might behave. Whilst there are some examples of good practice in firms and organisations, some people find difficulty in communicating with providers. Compounding this issue, consumers in vulnerable circumstances are also significantly less able to represent their own interests and are therefore more likely to suffer harm than the average consumer.

It is an issue that many in the sector are aware of and indeed, there has already been much research conducted on the topic. The UKRN have therefore commissioned an external review of existing consumer research on the identification of consumers in vulnerable circumstances. The findings from this review will be used to inform UKRN members and regulated firms what the existing research says about identification. The idea is that by facilitating better identification of consumers in vulnerable circumstances, all organisations in the sector can do a better job at meeting their needs.

Research objectives

The overarching objective of the research exercise has been to analyse the existing body of knowledge on identification of consumers in vulnerable circumstances in order to deepen understanding of the range and efficacy of identification practices.

Specifically, the review covers three main areas:

1. It sets out key issues that companies, regulators or government should consider when designing or reviewing their approach to identifying consumers who may be vulnerable.
2. It highlights the evidence on the benefits and risks to different approaches.

3. It details common findings on self-identification and flags or triggers for vulnerability.

The report is structured into three sections designed to address each of these research objectives in turn. Section 1 sets out the key issues that should be considered when designing or reviewing an approach to identifying consumers in vulnerable circumstances, specifically the challenge of defining consumer vulnerability. Section 2 highlights evidence on the risks and benefits of two broad approaches that firms use to identify consumers in vulnerable circumstances. Section 3 details the benefits and challenges of the different identification strategies that fall under these two broad approaches. The literature review closes with a summary of the key insights that can be drawn from the three chapters as a whole.

Sources for the review were selected on the basis of their relevance and robustness, and includes reports and reviews published since 2010 by thinktanks, academics, corporations, consumer bodies and regulators. A full and weighted bibliography is available in Appendix 1.

Section 1: Key issues defining consumer vulnerability

Summary of section 1:

Defining consumer vulnerability is an important part of identifying consumers in vulnerable circumstances and should underpin the identification practices that firms use.

The key issue is that there is no uniform definition of vulnerability; rather it is highly nuanced and contextual, and there are many factors that can make a consumer vulnerable. There are many working definitions that different sectors and firms are currently using; however, the two main ways that firms think about vulnerability tend to relate either to individual characteristics or contextual circumstances.

Thinking about vulnerability in these two ways has implications for approaches to identifying consumer vulnerability, especially when firms are relying on self-disclosure (covered in detail later).

The first step for firms in identifying vulnerability is to develop a working definition of vulnerability. Whilst definitions of vulnerability should not be rigid, a definition can help in developing strategies for firms to identify customers at risk of harm and to reach out and assist these customers (Ofwat, 2016: 19).

The evidence shows that whilst definitions tend to vary slightly between firms and sectors - often in accordance with the vulnerabilities are deemed most relevant to the firm/sector - firms tend to use regulator definitions at the starting point for their thinking, and often quote these directly in their strategy reports (see Box 1).

Box 1: Different working definitions of consumers in vulnerable circumstances that firms use

Ofcom defines consumer vulnerability in relation to a person's individual characteristics. Specifically, Ofcom defines consumers in vulnerable circumstances as those whose participation in communications, markets and society is affected by factors such as their age, disability, or income (2017).

The Financial Conduct Authority (FCA) on the other hand, defines a vulnerable consumer as someone who, due to their personal circumstances, is especially susceptible to detriment. The FCA recognises that people are "particularly at risk in their interaction with financial services when they experience a change in circumstances that leads to a financial shock". Income shock is particularly common and could come in the form of 'an unexpected large expense, or a loss of income due for example to job loss, reduction in hours, illness, bereavement, or taking on caring responsibilities' (2015: 17).

Please see Appendix 1 for a longer list of how firms define vulnerability; we include here some illustrative examples.

1.1 Contextual circumstances and individual characteristics

There are two main ways in which firms tend to think about vulnerability, in terms of **individual characteristics** and in terms of **contextual circumstances**.

Individual characteristics are those factors that that establish the uniqueness of a person. These types of individual characteristics tend to be permanent and therefore harder to resolve. Examples include: having low internet/digital literacy, poor numeracy, living with dementia, living with caring responsibilities; having low or no savings, living with a disability, mental illness or being older (JUST, 2019).

Consumers living with these types of individual characteristics are generally rehearsed in practices of self-disclosure and are more likely to spontaneously self-disclose their vulnerabilities (FCA, 2015). Vulnerabilities relating to individual characteristics are therefore more likely to be picked up through standard means of consumer profiling, such as online consumer surveys and other form filling practices.

Contextual circumstances cover more situational types of vulnerability. UK regulators, such as Ofgem and the FCA, recognise that vulnerability is about the circumstances customers are in, and not just their personal characteristics.

Among other things, examples of wider circumstances and situations in which consumers may be at their 'most vulnerable' can include: job loss; bereavement; divorce; having caring responsibilities (including operating a power of attorney); being older (for example over 80, although this is not absolute), which in turn may be associated with cognitive or dexterity impairment, sensory impairments such as hearing or sight, or the onset of ill-health; being young, which may be associated with less experience; non-standard financial requirements or a poor credit history; armed forces personnel returning from abroad; ex-offenders being released; recent care-home leavers; recent immigrants. The FCA notes that stress and anxiety can also affect state of mind and the ability to manage effectively (FCA, 2015: 8).

Often these wider circumstances relate to a change in personal circumstances, which requires a period of adjustment during which the consumer might be more vulnerable. As such these vulnerabilities tend to be more temporary and sporadic. Although, that is not to say that some, such as 'living with financial precarity', cannot be permanent.

Given that an individual's wider circumstances can change over time and over the course of a product or service lifecycle, these types of vulnerabilities are harder to identify and monitor than consumers displaying individual characteristics. Low levels of awareness of the different types of wider circumstances that might 'qualify' someone as a vulnerable consumer, means that these types of vulnerabilities are less likely to be spontaneously self-disclosed. Further to this, these types of vulnerabilities pertaining to an individual's wider circumstances tend to be missed by firms relying on self-disclosure practices to identify consumers in vulnerable circumstances.

1.2 Multi-layered definitions

Individual characteristics and wider circumstances are often multi-layered and inter-related, which adds to the complexity of defining and identifying consumers in vulnerable circumstances.

Individual characteristics can have an impact on the extent to which consumers experience their wider circumstances and are able to deal with their contextual vulnerabilities (European Commission, 2016). For example, an individual living with a long-term health condition or disability may struggle to find paid employment and as a result may therefore be experiencing a non-standard financial situation of lending and borrowing to cover the costs of living, which potentially further exacerbates their vulnerability.

Another way of thinking about this is that consumers who suffer with a long-term health condition or disability are more likely to have limited capacity to maximise their well-being, compared to other consumers (Ofwat, 2016: 19). As such, individual characteristics may either be a direct cause or further exacerbate the negative impacts and vulnerabilities associated with a person's wider circumstances

1.3 Further challenges for firms

There are several challenges for firms overlaying these approaches to defining vulnerability:

- **Whilst some vulnerabilities are permanent, others can be fluid, temporary or occur at changing intervals, or lead to other or enhanced levels of vulnerability.** In other words, given that people can move in and out of positions of vulnerability, consumer vulnerability is best seen as a state and not a trait (Ofwat, 2016: 19).
    - This creates a challenge for firms, as identifying consumer vulnerability is not a 'one off event' and keeping up with changing consumer vulnerabilities can be difficult (Association of British Insurers, 2017).
- **There are many facets and forms of vulnerability.** Many people tend to experience more than one type of vulnerability at any given time.
    - Vulnerabilities are therefore often multi-layered and interlinked which poses a challenge for firms seeking to identify a certain type of consumer vulnerability.

Section 2: Broad approaches to identifying consumers in vulnerable circumstances

Summary of section 2:

This section sets out the two main approaches that firms use for identifying consumer vulnerability and the link between them as described in the literature.

Firms can only deal with consumers in vulnerable circumstances if they are aware of their needs and historically firms have relied on self-disclosure, which requires the consumer to be proactive in sharing their vulnerabilities. But there are many barriers and issues with self-disclosure, not least because traditional forms of 'self-disclosure' tend to under-represent (and in some instances altogether overlook) the different kinds of wider situational vulnerabilities individuals may also be experiencing. Recently there has been wider recognition of this and more of a move within firms towards more 'proactive identification' practices.

2.1 Self-disclosure

Self-disclosure is a process of communication by which an individual reveals specific vulnerabilities and other information about themselves to a firm. This method of identifying vulnerability means relying on the individual to share details about themselves.

How this often works in practice is that consumers may be asked to complete an online self-evaluation when joining a new service provider or answer a series of questions over the telephone which cover personal information such as age, disability, long-term health conditions, etc. This may also involve an open-ended question about whether the individual may require additional support or assistance when using the service. The intention behind this type of open question is to provide an opportunity for the individual to elaborate on their previous responses and/or discuss additional requirements and support needs, which often leads to self-disclosure of other vulnerabilities (Ofcom, 2017).

Many firms tend to follow a similar self-disclosure process and format, meaning that many individuals are already accustomed to these types of 'standard' questions and forms of personal information sharing practices, making consumers in vulnerable circumstances easier for companies to spot (Citizens Advice, 2019). Whilst most forms of self-disclosure tend to happen at the start of a new service or product lifecycle (i.e. when joining a new firm, as this is when the most information about an individual is directly gathered at once), consumers may also choose to spontaneously self-disclose vulnerabilities at different times during a service or product lifecycle.

Self-disclosure is not without issues and there are many challenges and barriers associated with this approach. There is a cross-sector struggle to get individuals to admit to or 'diagnose' their own vulnerability, meaning that many consumers in vulnerable situations do not disclose themselves as vulnerable (FCA, 2015). There may be a range of reasons for why people do not disclose this personal and sensitive information, such as:

- **Certain socio-demographic characteristics may mean that consumers are less willing to seek support** from companies and organisations. For example, some older customers may be too 'proud' to seek assistance as they have an "ethos of solving their own problems" (Ofwat, 2016: 28).
- **Individuals may not recognise their own vulnerabilities.** This could be due to either overly strict definitions of 'consumer vulnerability' or overly open-ended definitions which fail to provide guidance for individuals to identify themselves against.
- **Feeling that there is little to be gained from disclosure,** because they think:
  - The information may be ignored by the person they are disclosing to.
  - It is unlikely to be logged on the appropriate systems, leading to multiple disclosures (Ofcom, 2017).
  - That even after disclosure firms may not take the appropriate action to make necessary adjustments to support the consumer.
- **The amount of time required to disclose vulnerabilities in detail.** This simply may not be a priority for consumers in vulnerable circumstances who have other more immediate concerns and time pressures (Personal Finance Society, 2017).
- **A general lack of trust in organisations and institutions** and how they will use the information. This is related to uncertainty about how personal data will be shared and used (Huntswood, 2019b). Linked to this may be a fear of negative repercussions from financial service providers who this access to personal information may be shared with.

Another key issue with this identification practice, is that it traditionally involves consumers disclosing individual characteristics and 'permanent' attributes (e.g. age, disability etc), which can be more easily addressed through formulaic yes/no questions than an individual's wider circumstances, which typically require more detailed explanations.

Historically a large number of firms have relied heavily on different forms of self-disclosure. As highlighted above, the issue is that this can miss out a whole range of consumers in vulnerable circumstances who for different reasons may not self-disclose their vulnerabilities or who may be experiencing wider contextual vulnerabilities which are not picked up by this technique. This establishes the need for firms to develop more proactive identification practices.

2.2 Proactive identification

In recognition of limitations to self-disclosure many firms have recently shifted to different forms of proactive identification. Proactive identification involves firms taking active steps to encourage individuals to self-disclose their vulnerabilities, and in cases where self-disclosure is not happening, using different techniques to infer and observe consumer vulnerability.

Whilst proactive identification is necessary to identify consumers who do not self-disclose their existing vulnerabilities, it is also important for identifying pre-vulnerable (or potentially vulnerable) consumers.

There is no uniform approach for how proactive identification works in practice. Instead there are a number of different strategies that firms can adopt (these are visited in greater detail in the following section):

- **Direct application support**: direct interventions to help an individual with self-disclosure.
- **Frontline call staff**: improving the quality of telephone conversations with consumers about difficult situations and wider circumstances for identifying wider contextual vulnerabilities and encouraging self-disclosure.
- **Monitoring behavioural patterns and change**: more recently firms are exploring different ways of analysing consumer data to monitor an individual's wider circumstances and how they may be changing to identify who is most at risk and when. This broad approach can be broken down into three specific applications:
    - Combining large-scale data sets.
    - Profiling consumers and signposting risk factors.
    - Using digital behavioural and emotional analytical tools.

Section 3: Detailed identification strategies

Summary of section 3:

This section sets out the different proactive identification practices that are being developed by firms in order to identify consumers in vulnerable circumstances who may be missed out through more traditional self-disclosure practices.

As previously discussed, proactive identification describes the process of analysing an individual's wider circumstances and how they may be changing over time, in order to identify who is most at risk and when. In practice this can take place in different ways and through a variety of different channels, including face-to-face, over the phone, or remotely through the use of customer data.

As such this section is divided into three sub-sections, which are designed to address each of these strategies in turn - strategies for encouraging self-disclosure, strategies for flagging risk factors and strategies for monitoring behavioural change.

3.1 Strategies for encouraging self-disclosure

3.1.1 Direct application support

Direct application support involves a representative from a firm directly assisting customers to complete self-disclosure forms and submit evidence for their application. In other words, it is a process by which firms proactively assist and empower their customers in moving towards self-disclosure.

Direct application support is a less commonly used identification practice as it only works when a firm has direct face-to-face contact and touchpoints with its consumers. Firms that have one-off contact with their consumers at the beginning of a product or service lifecycle are therefore less likely to use or benefit from this identification approach.

In practice this means firms sending representatives to visit customers in their homes to help them complete the necessary forms:

- Utilities companies might choose to couple this direct application support with a routine home visit (e.g. a gas inspection, meter check or other utilities call out).
- Other firms may organise their home visit on the basis of the individual having previously flagged the need for additional assistance with setting up a service or filling out forms.

There are a number of benefits to this approach:

- **Consumers can feel confident that their self-disclosure forms having been completed correctly and accurately**. After having been shown how to complete these forms, consumers are able to carry forward this practice in the future and are more likely to self-disclose to other firms.
- **Consumers are empowered in the process of identifying and self-disclosing** their own vulnerabilities rather than vulnerability being inferred.
- **Other potential vulnerabilities within the individual's immediate and surrounding home environment can be identified** by firm representatives, for example:
  - Working through self-disclosure forms gives representatives an opportunity to assess the individual's capability in filling out paperwork and processing information.
  - It also allows for more informal conversations about what else might be happening in that person's life and identify potential situational vulnerabilities.

Despite the benefits, there are also a number of challenges and drawbacks to this approach.

- **Not all firms have face-to-face contact with their customers.** This is particularly the case for financial service providers, whose interactions with customers tend to be telephone or internet based.
- **The growing digitisation of home systems** (e.g. smart meters) and remote monitoring of utilities reduces the need for home call outs and reduces the number of direct customer touchpoints with utilities companies (Ofgem, 2019; Ofwat, 2016).
- **The extended home visit times required may not be financially desirable** or viable for some smaller firms.

Box 2: An example of direct application support during home-visits

Southern Water was the first company within the water sector to provider specialist advisors to help customers complete self-disclosure application forms in their own homes. This service was particularly focused on helping customers self-disclose long-term debt issues that may be overlooked or avoided during spontaneous and unassisted self-disclosure.

Traditionally, the water sector's approach has been to leave self-disclosure application forms for customers to fill out on their own after a home visit. Recognising that form filling can be a major barrier for self-disclosure (particularly for people with low-level literacy and numeracy skills, or mental health problems), in 2015, Southern Water provided 14,000 households with direct application assistance.

3.1.2 Training frontline call staff

The responses of staff on the frontline, whether in a branch or on the phone, are crucial to identifying consumers in vulnerable circumstances, as staff are often the direct point of contact between the consumer and the firm.

Firms may have specialist teams, or policies around dealing with consumers in vulnerable circumstances, but if the frontline call team are not proactive in recognising vulnerabilities when they interact with customers, and do not handle disclosure situations appropriately, firms may fail to identify and register consumers in vulnerable circumstances, particularly those who do not self-disclose (Huntswood, 2019a).

What this means in practice is extensive training for frontline staff to recognise and deal with consumers in vulnerable circumstances. Specifically, it is important that they are sufficiently trained in two areas:

- **The types of behavioural cues and (vocal) indicators to listen out for** that might suggest a consumer is vulnerable, which could involve:
    - Using the BRUCE protocol which is used by some firms as a method for identifying and spotting customers with decision-making difficulties (Association of British Insurers, 2017; Bristol Centre for Personal Finance, 2018; see box 3).
    - Developing stronger links to charities who can help train staff in how to recognise vulnerabilities e.g. StepChange, Macmillan Cancer Support and the Samaritans, can help frontline staff understand and recognise the nuances and different guises of vulnerability being expressed in a conversation.
- **How to facilitate 'proper conversations' with customers** and provide an open and flexible platform for consumers to discuss and disclose their vulnerabilities, which could involve:
    - Improving soft skills to know how best to deal with difficult consumer emotions (Data and Marketing Association, 2016).
    - Discussing signs of vulnerability with a genuine interest and understanding of consumers' situations. The FCA recommends that conversations need to be flexible, adaptable to the consumer and not scripted (FCA, 2015:12) allowing the conversation to take its natural course and enabling better conversations.
    - Non-intrusive, sensitive questioning. The framing of questions is important for extrapolating the right kind of information and insightful responses from consumers in vulnerable circumstances (Citizens Advice Bureau, 2015).
    - Utilising techniques to check on (and aid) powers of recollection. For example, the adviser could ask about a client's family background or their career history. They could also ask questions about current or historical events. Recording the answers in the client's own words and reviewing them at subsequent meetings will help test this over time (JUST, 2019).

The TEXAS drill is a model used by a number of firms for managing initial conversations about a client's vulnerable situation (Money Advice Trust, 2016; Association of British Insurers, 2017; see box 4). It provides advisers with a 'compass' to help structure and manage more in-depth conversations, listen out for relevant information, and ask key questions.

Safeguarding training has been shown to have positive outcomes for frontline staff identifying consumers in vulnerable circumstances. The evidence shows that frontline staff who are up to date with the latest data protection policies and data usage processes are better able to reassure consumers how this personal information will be used. This has been shown to improve their confidence in having difficult conversations with customers about vulnerability (Data and Marketing Association, 2016).

Further to this, frontline training needs to be supported with robust systems for staff to record the information effectively and when and where to escalate vulnerable issues. To support this, there needs to be an efficient process for referring consumers to a specialist team/member in their organisation. There is also a case that external signposting to an organisation such as a different advice agency may add value (Santander, 2018).

The main benefits of this approach are that it can help encourage consumers to self-disclose their vulnerabilities. During self-disclosure open conversations may also lead to consumers self-disclosing greater details about their situational contexts - i.e. non-standard, individual characteristics which are most often disclosed.

Despite the many benefits of this approach, there are also a number of challenges and drawbacks to consider:

- **The increasing automation and use of call centres** can create challenges in spotting potential vulnerability. Most financial services are moving towards remote methods of communication, both online and via telephone, which can also present barriers to some consumers (FCA, 2015). Customers are increasingly interacting with programmed scripts that don't have the same flexibility and openness to disclose different aspects of vulnerability - machines can't ask these probing questions, nor can they detect changes in voice and tone which and different non-verbal cues which may be signs of vulnerability.
- **A broader culture change is needed** as frontline staff are often trained using sales techniques, which seek to move the customer towards a desired end result (Huntswood, 2019a). This runs the risk of missing out vulnerabilities that are not covered by conventional 'tick box' practices.

Box 3: An approach to spotting behavioural signs of vulnerability on the phone

The BRUCE protocol is used by some firms as a method for identifying and spotting customers with decision-making difficulties. 'BRUCE' in an acronym for:

I. Behaviour and talk - staff should monitor customer's behaviour and talk for indications of difficulties.

II. *Remembering – is the customer exhibiting any problems with their memory or recall?*

III. *Understanding – does the customer grasp or understand the information given to them?*

IV. *Communicating – can the customer share and communicate their thoughts, questions and decisions about what they want to do?*

V. *Evaluating – can the customer 'weigh-up' the different options open to them?*

(The Association of British Insurers, 2017)

Box 4: An approach to facilitating difficult conversations that encourage self-disclosure

Money Advice Trust use the TEXAS drill for managing initial conversations about a client's vulnerable situation over the telephone. It provides frontline staff with a 'compass' to help structure and manage more open-ended and in-depth conversations with consumers and listen out for relevant information about their vulnerabilities. It involves 5 key principles:

- *Thank the client for what they have told you could be useful for everyone involved: "Thanks for telling me, as it will help us deal with your situation better"*
- *Explain how the information will be used (it is a legal requirement): "Let me explain how we'll use that information, just so you know"*
- *Obtain explicit consent prior to disclosure: "I just need to get your permission to..."*
- *Ask the client questions to get key information: "How does your situation make it difficult to manage your finances?"*
- *Determine what support the consumer has in place and whether they would like to seek additional wellbeing support by referring to a specialist organisation*

(*Money Advice Trust, 2016: 21)*

3.2 Flagging risk factors

3.2.1 Profiling consumers and flagging risk factors

This approach involves quantitatively analysing risk factors and indicators of consumer vulnerability. This allows firms to identify consumers in vulnerable circumstances who may have not self-disclosed their vulnerabilities and, importantly, *when* these consumers are most likely to be at their 'most vulnerable' (European Commission, 2016; Ofwat, 2016).

In practice, profiling consumers in vulnerable circumstances involves identifying patterns in existing research which link particular biases to specific consumer groups and translating these characteristics into identifying variables which are then assigned a code to determine the 'scale' or 'extent' of the consumer's vulnerability (Bristol Centre for Personal Finance, 2020).

This allows a measurement to be taken of the minimum and maximum extent that customers feel vulnerable. For example, measuring levels of credulity, based on the extent that respondents agree with statements such as "most advertisements report objective fact" or "I trust most of the information provided in advertisements", allows firms to calculate a score of vulnerability based on the understanding that those who are least trusting of other people and who thus score the lowest on 'trust' measures, are most likely to feel a high level of vulnerability (European Commission, 2016: 201)[1].

Firms may then combine this type of opinion-based data with different data on consumption patterns, to identify those most at risk. For example, combining data on consumers with very high impulsiveness in their consumption habits with this type of opinion-based data can help to identify those most vulnerable and 'at risk' (FCA, 2017).

This process of data tracking and profiling consumers allows firms to produce a 'mathematical score' of a consumer's behavioural vulnerability. Although, most firms prefer to assign different 'risk categories' to individuals using the 'Traffic Light System' (see box 5).

The key benefit to this approach is that the process of data tracking and profiling consumers allows firms to produce a mathematical score of a consumer's behavioural vulnerability can then be combined with existing insight around common customer life stages and cycles to predict when consumers are likely to be most vulnerable. For instance, it is easy to predict that someone who has just retired might be going through some degree of emotional adjustment. This insight can be added to the individual's 'risk score' or 'traffic light colour' to determine when these vulnerabilities are likely to be at their most intense.

The main challenge or drawback to this approach is that there are currently limited touchpoints over the life of a product or service. The lack of touchpoints or direct interactions with consumers during a product or service lifecycle means limited opportunities to gather the types of information required to profile consumers and assess their risk factors (Association of British Insurers, 2017: 23).

Box 5: An example of flagging risk factors within the financial sector

[1] Citizens Advice (2018) have also highlighted consumer trust as a barrier to self-disclosure.

The FCA (2017) uses a traffic light system based on the customer's ability to independently manage their own finances. Each customer is assigned a green, yellow or red flag based on the scale of their vulnerability. This allows the FCA to profile their customers and streamline their support and interventions.

A green flag indicates a 'potentially vulnerable' individual who is currently able to manage their finances and make informed decisions, whilst bearing in mind that this could change in the future.

A yellow flag indicates a 'vulnerable' individual who is currently in a situation which means that they are more likely to experience harm, loss or disadvantage than other customers and who may therefore require greater help and assistance to avoid detriment.

A red flag indicates a 'particularly vulnerable' customer who is currently at a greatly heightened risk of detriment compared to the majority of vulnerable customers. The detriment could be more imminent and have a more serious and negative impact on their situation. This type of individual therefore needs to be most quickly identified by staff or advisers, and action needs to be swift and effective to avoid significant harm.

3.3 Monitoring behaviour change

This describes an umbrella approach to using different types of consumer data to monitor consumer habits to spot indicators that consumers may be experiencing certain vulnerabilities, and identify the types of situations in which these consumers are likely to be most vulnerable. For instance, sudden changes in behavioural patterns can indicate that a consumer is facing wider situational vulnerabilities that have not been self-disclosed.

There are many different applications of this approach as explored below.

3.3.1 Combining large-scale data sets

This approach involves matching data sets across sectors and firms to identify (sudden) changes in behavioural (FCA, 2017). Specifically, it focuses on identifying consumers who may be experiencing vulnerabilities relating to changes in their wider circumstances.

Signs of vulnerability can often be very subtle, and hard to spot and combining data sources from across sectors can produce new insights into identifying consumer vulnerabilities (HM Government and Nesta, 2018; Money and Health Policy Institute, 2019). This approach involves understanding why consumers may be interacting with different companies and sectors in different ways (University of Bristol and Barrow Cadbury Trust, 2018).

In practice this approach requires more joined-up data sharing between companies. For example, utilities firms can combine their supplier data on consumption patterns to help signpost customers who are struggling with more than one type of bill (see box 6). Financial sector data which may include economics and spending habits can then be used to better understand the specific circumstances that are contributing to this problem.

The benefits of this approach are that combining data sources can help to build a more holistic overview of the vulnerable consumer (see box 7) by:

- **Enabling companies to be aware that the customer is in difficulty sooner.** This in turn could mean that firms are better able to assist their customers, or direct them to support agencies such as the Money Advice Trust or Citizens Advice, who could provide help and advice.
- **Preventing companies from having to 'reinvent the wheel' to identify customers in need of assistance.** For example, the Department of Work and Pensions (DWP) and HM Revenue and Customs (HMRC) already collect data that can identify customers in financial need, or those who receive assistant through the benefits system (Ofwat, 2016: 29).

Another significant benefit of this approach is that consumers spend less time and effort disclosing information about their vulnerable situation, which:

- **Reduces the time-cost** of calls for organisations encouraging self-disclosure.
- **Potentially minimises the emotional impact** of multiple disclosures (University of Bristol and Barrow Cadbury Trust, 2018).

One of the major challenges and drawbacks to this approach is that there is currently non-uniform data-sharing between firms. For example, many water companies have mentioned that they find the current lack of effective data sharing to be a barrier to finding and assisting customers whose circumstances make them vulnerable (Ofwat, 2016: 40) and there is evidence that firms currently experience technical issues in matching data sets (Ofgem, 2019: 12).

There are concerns raised by consumer consent and the ethics of data sharing (Harrison and Gray, 2010) and additional challenges that the new General Data Protection Regulation may bring to identifying consumers in vulnerable circumstances (FCA, 2017: 37). Better data protection policies are therefore necessary to further help identify consumers who might need extra support.

Box 6: An example of good practice in data sharing

Ofgem requires suppliers to share customer data with distribution network companies in accordance with data protection rules. Ofgem has therefore aligned their PSR 'needs codes' (descriptions of vulnerabilities) for electricity (in June 2017) and gas (in January 2018) to allow for consistent data sharing between suppliers and distribution network companies in order to more easily identify and monitor consumers in vulnerable circumstances *(Ofgem, 2019: 19).*

Box 7: Evidence of the benefits of combining data sources and the potential improvements in identifying consumer vulnerability

The FCA collects a large and diverse range of robust information and evidence from a number of sources through their research projects such as their 'Financial Lives Survey' and 'Calls for Input project'. They combine this with other intelligence sources, such as social media monitoring tools to gather insight into consumers and information about who might be vulnerable and where harm may be occurring (FCA, 2017: 18).

For example, this allows them to identify instances where financial services markets or firms are harming users, have the potential to do so, or where they are working poorly and not providing sufficient benefit to users.

3.3.2 Behavioural and emotional analytics tools

This approach involves using digital systems to analyse subtle behavioural indicators of consumer vulnerability at different moments of customer-firm interaction. This can take place through different mediums such as online platforms or over the telephone. What this means in practice is building up an understanding of the specific customer and understanding what is within 'the norm' for them.

On digital platforms there are certain high-level behavioural indicators of vulnerability that organisations can identify and react to. These include:

- **Signs that the customer doesn't clearly understand.** For example, high dwell time without taking an action; repeatedly pressing the browser back button.
- **Asking for information to be repeated or giving the wrong responses** (when in conversation over the phone).

Firms are increasingly developing pieces of software that help to monitor and identify that consumers are struggling. For example, TrueVoice is a piece of software that is used by Deloitte, to identify and monitor for any behaviours that might indicate vulnerability, in a way that is specific to the customer (Deloitte, 2020; see box 8).

The benefit of this digitised, behavioural, data-driven approach is that it helps to identify behaviours outside of the norm for that particular consumer. This is hard to do manually, particularly as it is unlikely that consumers will be interacting with the same member of frontline staff, making it harder for firms to recognise what phone behaviour is 'the norm' for that particular consumer.

Specifically, the benefit of applications like TrueVoice and other AI, is that rather than relying on traditional keyword spotting alone, these applications quickly analyse behaviour and emotion on every call helping to understand how consumers are feeling:

- Digital tools such as TrueVoice monitor all customer interactions and can quickly highlight areas of risk as well as opportunities to improve the customer experience and reduce call agent churn.
- By monitoring customer interactions these types of digital systems enhance regulatory compliance and reduces risk for customers.

These types of behavioural tools can also be used for analysing conversations between customers and frontline staff. For example, speech analysis can be switched on during customer calls. Artificial intelligence and machine learning make it easier to analyse, interpret and visualise voice data from call recordings (Deloitte, 2018).

One of the major challenges and drawbacks to this approach are around consumer consent to data capture and usage. It requires careful consideration of how details of a customer's vulnerability are stored and shared by these behavioural monitoring systems in order to stay compliant with data protection requirements (Harrison and Gray, 2010; FCA, 2019).

Box 8: Example of a digital behavioural and emotional analytical tool in action

Deloitte has developed a behavioural, emotional and analytical tool, known as BEAT used to monitor interactions with customers and detect potential signs of vulnerability through analysis of their speed, behavioural and emotional patterns. BEAT turns each call interaction into a text. It then analyses properties of the call, including tempo, amplifications, pitch, tone and non-semantic communication. Insight is then captured from the voice interaction and combined with additional data sources about the customer (i.e. broader behavioural habits and what is known about existing vulnerabilities) to provide a complete customer journey as well as an early warning system of vulnerabilities arising. This allows Deloitte to determine which aspects of vulnerability are most pertinent to their existing and newly targeted customers (Deloitte, 2018).

Section 4: Potential approaches for firms

The evidence from this literature review suggest that **firms need to focus on how to improve their proactive identification strategies** and move away from their dependency on consumers spontaneously disclosing their vulnerabilities. It is clear that many firms are currently producing materials that encourage consumers in vulnerable circumstances to disclose and seek support. Citizens Advice, for example, notes that firms' "letters will often provide a phone number that customers can ring to access support or details of where to find information on their website" (Citizens Advice, 2018: 11).

However, there is a growing awareness amongst firms and organisations of the need to proactively look out for 'red flags' i.e. those indicators that someone is living in vulnerable circumstances. An example of such an approach would be the 'BRUCE Protocol', which is used by the Association of British Insurers for training frontline staff to recognise behavioral cues and (vocal) indicators of vulnerability.

With this shift to proactive identification in mind, **there is increasingly an onus on firms to provide sufficient training for frontline staff** to enable them to better identify consumers in potentially vulnerable circumstances such as over the telephone (StepChange, 2019). There is evidence that empowering, training and 'soft skilling' frontline staff to facilitate more open and flexible conversations with consumers can encourage them to disclose details of their circumstances. For example, the Money Advice Trust use the 'TEXAS Drill' for guiding open conversations can lead to consumers self-disclosing other vulnerabilities that may have been missed out by more formulaic questioning.

Staying on top of data and analysis for remotely and digitally monitoring behavioural change is a new strategy that many firms with large client bases have begun to use to identify an underlying vulnerability. For example, Ofwat combines and matches data on client consumption patterns to signpost customers who may be struggling with more than one type of bill, helping to build a more holistic overview of the consumer and better understand the specific circumstances contributing to their vulnerability. The FCA on the other hand, uses a 'Traffic Light System' for profiling consumers and signposting risk factors. This involves assigning quantifiable scores (or traffic light colours) of consumer vulnerability to individuals, that they can track over the service lifecycle to help streamline support and interventions.

The literature review shows that a key challenge for firms is whether their frontline staff are able to provide reassurances for individuals discussing their vulnerable circumstances. There is therefore a growing need to **ensure that frontline staff are trained, confident and responsible** for judging each unique situation for themselves and be able to act with the support of their management team and company policies, processes and systems.

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In order to deliver on the strategies above, **firms also need to focus on more robust strategies for data usage, protection, sharing and matching** as the evidence suggests that consumers are deterred from self-disclosing by a lack of robust, consistent and transparent handling of sensitive data. This means that companies need clear policies that front-line staff are aware of and are prepared to answer detailed questions about, as this "will help to reassure and encourage consumers to self-disclose potential vulnerabilities" (Ofcom, 2017). It is worth noting that the Data Protection Act 1998 also requires advisers to explain to clients who disclose sensitive personal data how their information will be used, and that without a written policy, advisers will be unable to do this (Money Advice Trust, 2016). The recommendation from the Money and Health Policy Institute is to provide training on protection policies for frontline staff to enable them to provide reassurances about disclosure (Bristol Centre for Personal Finance, University of Bristol: Money Advice Trust, Money and Mental Health Policy Institute, 2018).

Appendix 1: Bibliography (ordered by weighting)

All sources have been assigned a score between 0-10 to indicate their weighting in the report.

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  - *Key themes: Self-disclosure; looking for red flags; looking for decision-making limitations; individual factors; wider circumstances; BRUCE protocol*
  - *Weighting: 1*

Appendix 2

A long list of how firms define vulnerability:

- *Ofcom defines consumer vulnerability in relation to a person's individual characteristics. Specifically, Ofcom defines consumers in vulnerable circumstances as those whose participation in communications, markets and society is affected by factors such as their age, disability, or income (Ofcom, 2014).*
- *The FCA defines a vulnerable consumer as someone who, due to their personal circumstances, is especially susceptible to detriment. The FCA recognises that people are "particularly at risk in their interaction with financial services when they experience a change in circumstances that leads to a financial shock". Income shock is particularly common and could come in the form of "an unexpected large expense, or a loss of income due for example to job loss, reduction in hours, illness, bereavement, or taking on caring responsibilities" (FCA, 2015: 17).*
- *Ofgem defines consumer vulnerability as being "when a consumer's personal circumstances and characteristics combine with aspects of the market to create situations where he or she is significantly less able than a typical consumer to protect or represent his or her interests in the energy market; and/or significantly more likely than a typical consumer to suffer detriment, or that detriment is likely to be more substantial" (Ofgem, 2013: 4).*
- *The British Standards Institute defines vulnerability as a condition in which a consumer is at a 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 Standards Institute, 2010).*
- *The European Commission defines consumers in vulnerable circumstances as individuals who, as a result of socio-demographic characteristics, behavioural characteristics, personal situation, or market environment are at higher risk of experiencing negative outcomes in the market; have limited ability to maximise their well-being; have difficulty in obtaining or assimilating information; are less able to buy, choose or access suitable products; or are more susceptible to certain marketing practices (European Commission, 2016).*