



A coalition of the willing and the determined

Phoenix Group
2024 Vulnerability Summit

May 2024



Foreword: Andy Curran, CEO, Standard Life

Consumer Duty is driving a fundamental cultural shift for financial organisations, pushing them to focus on delivering better customer outcomes. We see firms embracing this opportunity, dedicating time and thought to considering how risks of harm can occur and what a ‘good’ outcome truly means. This level of thought is even more important when we consider the needs of vulnerable customers.

Our recent experiences of both COVID-19 and the cost-of-living crisis have shown that we need to understand our customers better and create better outcomes for all. Collaboration and knowledge sharing are key to developing consistent outcomes for our customers and Standard Life was delighted to host a second Vulnerable Customer summit this year. It brought together a group of passionate, forward-thinking people who are working hard to understand and respond to the needs of those who may be in vulnerable circumstances.

In addressing vulnerability, this ‘coalition of the willing’ is vital. To bring about enduring change, and to ensure that all our customers are treated with dignity and respect, the private sector, government and third sector need to come together, collaborate, and find solutions.

At Phoenix Group, we are a family of brands – including Standard Life, Phoenix Life, ReAssure, and SunLife and have 12 million policyholders. The potential for vulnerability among our policyholders is high due to their life stage. We invest heavily to make sure we address the needs of our customers, but we are aware it is not enough to be focused on our policyholders. We also want to play our part in driving change in wider society.

With this summit, we sought to focus on three areas: societal pressures today and the challenges customers are facing; to look at the lived experience of vulnerable customers, and the opportunities and risks inherent in AI. In doing so, we hoped to build a better understanding of the reality for many people, and how financial services groups, charities and governments are seeking to understand and address those problems. We wanted to build a forum to share experiences and best practice. Not just a coalition of the willing, but a coalition of the determined.



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Executive summary

In February 2024, the Vulnerability Summit brought together key partners from the private, public and third sector to challenge whether we are all doing enough to raise the bar for vulnerable consumers and create the real shifts in experience and outcomes to really move the dial.

The summit provided a catalyst for deeper cross sector collaboration and commitment onto how we work together to create a more unified experience for the customer navigating their way across us all. To achieve the best possible outcomes for society and to deliver the ambitions of the FCA's Consumer Duty, that work will be most effective if firms actively collaborate to share best practice and ensure positive experiences are consistent across the industry.

Through the summit, we're informing, progressing and challenging the coalition of the willing and determined to join and create a customer promise that will deliver a more consistent service and better outcomes.

The summit was supported by our collaborators:



Vulnerability pressures are increasing

In 2022, a report from the FCA found that 24% of UK adults had poor financial resilience. Since then, prices have risen, borrowing costs have soared and even greater numbers are living with financial insecurity. The root causes of vulnerability are complex: disability, discrimination, health crises, caring responsibilities. It may be permanent or temporary, but it can affect every part of an individual's well-being.

That said, many of those who are in vulnerable circumstances do not see themselves as such. This may prevent them seeking out the help to which they are entitled to, and it can make it difficult for companies to identify them. Equally, having identified vulnerable people, it is vital to ensure consistent treatment through a set of standards for all customers.

However vulnerability is defined, it is clear it is increasing.

4 in 10 adults say it is difficult to afford energy bills

19% has low capability to deal with their financial affairs

1/3 of adults in the UK paying rent or a mortgage said they were finding payments very or somewhat difficult to afford

24% Of the country has low financial resilience

40% More than 40% of adults say they have bought less food when shopping in the last two weeks

53% of UK adults have characteristics of vulnerability, but only 13% of them consider themselves to be vulnerable

The cost-of-living crisis is a factor, raising costs for energy, food, and other bills at a time when incomes are stagnant, but the broader trend of increasing poverty had started some time before.

The drivers are complex, but an ageing population, rising rates of obesity and mental health disorders play a role. Caring responsibilities are a particular factor for women over 45, creating a significant impact on their ability to stay in work and build financial security.

There are key groups where vulnerability is more evident, and it often has deep roots in society and the workplace. The system to support these people is creaking, with millions falling through the cracks. Yet help is available – Independent Age estimate 444,000 people would be lifted out of poverty if pension credit was used by everyone who was entitled to it.

The impact of vulnerability

Vulnerability can limit an individual's ability to work, and to engage with the world. Neurodivergence – which affects around one in seven of the population – is also poorly accommodated by companies. This is a waste of the nation's abundant human resources.

There is a circularity to vulnerability, with problems in one area exacerbating problems elsewhere. If people don't eat or heat their homes, they often end up in hospital. There is a social cost in not dealing with these problems, as well as the very real human cost for individuals and their families.

Assessing and identifying vulnerability

Many companies struggle to assess vulnerability. Vulnerable people do not always see themselves in that way.

Even those who do will worry about stigmatisation and the potential consequences of 'confessing' to a vulnerability: will it affect credit decisions, for example? Or will they be seen as a 'scrounger' by their peers?

This means people often don't seek out the help they need, even when it is there for them. For example, only 63% that are entitled to pension credit claim it according to Independent age.

Service providers are increasingly developing proactive data analytics to identify indicators of potential vulnerability deploying for example artificial intelligence and behavioural science. but complementing this with engagement with 'lived experts', talking to people who have vulnerabilities to find the pathways that best work for them.

Whatever tools are employed, it remains most important that firms retain a focus on individual needs and show empathy. Listening, rather than assuming a certain type of support is needed.

Phoenix Group calls to action

We have a societal responsibility to better support those in vulnerable circumstances, and hosting this summit, allows us to spotlight the areas of good practice that are making a difference while highlighting where further work is still needed.

Our ask to our collaborators to come together to:

- Create a sector agnostic set of practical Vulnerability Commitments.
- Work across sectors to ensure a cohesive and consistent customer experience.
- Promote industry collaboration and identify focus areas we can collectively lobby on.

Societal pressures today and the challenges customers are facing

Informing the coalition through insights and research

Societal pressures today and the challenges customers are facing

The UK is an increasingly difficult place to be sick, have a disability, to have caring responsibilities. Housing can be insecure. The support that is available can be difficult and complicated to access, and many people don't know what exists. Even before the recent cost of living crisis, financial vulnerability was increasing, and it has been exacerbated by rising prices.

There are several communities of people who are particularly at risk of long-term financial insecurity: women, single people, minority ethnic communities, carers, people with long-term conditions/disabilities and private renters. Often these factors have long roots: women and ethnic minorities are more likely to experience poverty because they have experienced workplace inequalities, for example. The summit identified the key sources of financial vulnerability, which are outlined below.

“It feels like I've gone back to my childhood, post-war, living in a cold house with no food. I've cut down from three meals a day to one. Once I've paid my rent and all the bills, I have nothing left over. I've no choice but to avoid socialising.”

Yvonne, independent Age interviewee

“If someone gets pension allowance, they are eligible for a range of other benefits, but they have to apply for them all, some with 30-page forms. Couldn't we give them automatically?”

Joanna Elson CBE, CEO, Independent Age

Societal pressures today and the challenges customers are facing (cont.)

1. Rising costs

The prevailing view of retirees as wealthy boomers recklessly spending their pension and housing wealth is misplaced: in reality, there are 2 million older people who are below the poverty line and a further 1 million who are hovering precariously above it. One in five people are being forced to make a choice between eating and heating their homes.



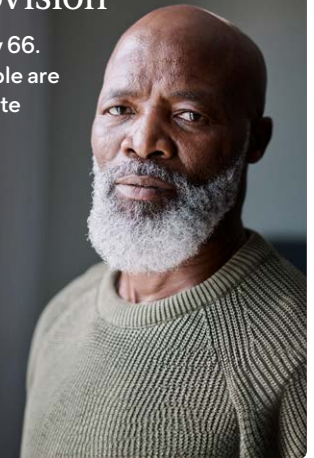
2. Caring responsibilities

Caring responsibilities are underestimated as a cause of economic inactivity. Often carers don't identify as such, because they may be caring for a spouse or a child. However, this is particularly felt by women, and particularly over the age of 45. It has a huge impact on their ability to stay in work and be financially secure.



3. Poor pension provision

The state pension age is currently 66. However, less than a third of people are in work by the time they reach state pension age. Some of this is by choice: people have saved successfully and can afford not to work. For others, it is a choice thrust upon them by illness, disability, caring responsibilities, or even workplace discrimination.



4. Long-term sickness and disability

We have seen a significant rise in 'economic inactivity'. These are people who are not working, and not looking for work. The most significant cause has been a huge increase in long-term sickness and disability. Access to healthcare and NHS waiting times is playing a role, as is chronic ill-health, including rising obesity and mental health disorders.



5. Constrained government expenses

There is a misconception that the UK is a wealthy country. In reality, once London is taken out of the equation, the average GDP per capita slumps. With government finances stretched, support for the poorest in society is limited and difficult to obtain. Financial vulnerability is a universal experience, not a limited phenomenon for those at the extremes of society.



6. Housing wealth

Old assumptions of a reliance on housing wealth in retirement struggle to accommodate the new reality of housing. Younger millennials may never get on the housing ladder and may have mortgage costs well beyond retirement age if they do. Private renting is a significant indicator of financial vulnerability in later life – private rent prices rose 6.1% in England, 7.1% in Wales and 6.3% in Scotland in the year to December 2023.



Societal pressures today and the challenges customers are facing (cont.)

7. Discrimination

Older women are more likely than older men to experience poverty in later life. 19% of women over State pension age are living in poverty, compared to 16% of men. For women who live alone, that rises to 26%. People from minority ethnic communities have experienced discrimination through their lives. They may have additional challenges in accessing information and less awareness of the support that's available.



Independent Age's six areas to improve

1. Help older people access the support to which they are already entitled.
2. Make sure people know how to save costs, including social tariffs such as council tax reduction.
3. Make sure information campaigns are targeted where they are needed – working with community groups can be more effective than national campaigns.
4. A cross-party process to determine an adequate income in later life.
5. Greater protection for older, private renters. The Renters Reform bill is crucial.
6. Helping older people to have a voice and establish a Commissioner for Older People.

8. Complexity

Although there is financial support available from the government and local authorities, there are barriers to accessing it. Many people don't understand whether they are eligible for it. Pension credit is a top-up benefit, which is given to people who don't qualify for the full state pension. Only 63% of those who are eligible get this money. It is possible to get a reduction on council tax, and discounted broadband. Not only is it complex to claim these benefits, some of those on low-income feel uncomfortable about doing so.



Consumer challenges: their lived experience

Progressing the coalition through lived experience
and research opportunities

Consumer challenges: their lived experience

Calling on 'lived experts', those with first-hand experience of dealing with vulnerabilities, can be a powerful tool in shaping an organisation's response to its customers.

Lived experts can help build understanding of the reality for certain customers, including their views on specific communications. It is possible to test out a customer journey with, say, neurodivergence in mind. They can be allies, critical friends in developing services and communications, while contributing new ideas for 'social innovation'. Behavioural science can also provide important insights into vulnerability, particularly around the 'scarcity mindset'.

"I'm autistic. I find that makes dealing with a lot of emails very stressful. I find it easier to log into an online account to sort out my finances."

Saffron, Three Hands Insights interviewee

Lived experts on vulnerability

"Picking off vulnerabilities one by one is unhelpful."

Many people have multiple vulnerabilities that intersect. Organisations need to embed empathy and treat people as individuals.

"I know what my needs are."

Even if an organisation understands an individual's vulnerability, they may not understand how to deal with it. People are best placed to tell organisations what they need.

"Make sure it doesn't disadvantage me"

many people fear that they will be discriminated against if they disclose a vulnerability. It might affect their credit score, for example.

"Stop pussyfooting around. Just ask me!"

people are used to talking about their difficulties. Organisations need to ask the right questions and listen with empathy and without judgment.

"I've disclosed but I have not noticed any difference."

organisations that make the effort to identify vulnerability need to act on that information.

Addressing the disclosure gap

There are still limitations in understanding of the vulnerable mindset behind disclosure. There is a 'Disclosure Gap', a missing piece of the puzzle in understanding of vulnerable customers and how they truly feel.

Cowry Consulting is undertaking research to bridge this gap, uncovering the implicit barriers to disclosure, and how this is different to what customers say explicitly. In other words, people don't always say how they feel. One example might be someone with a gambling addiction. They might not disclose this because they feel embarrassed or ashamed. Maybe they don't even see this as a problem until it's too late. These types of insights can be uncovered using behavioural research techniques.

Cowry aims to deliver this project at scale, segmenting the results into more nuanced segments of different financial services, looking to create a series of 'vulnerable archetypes', highlighting clusters of people who each have different barriers to disclosure.

The FCA suggests around 45% of customers may have some form of vulnerability, yet organisations only identify around 5%. Behavioural science is vital in creating the right disclosure environment. It can help create cues, to signal that someone is listening and receptive.

Customers have entrenched beliefs about the consequences of disclosure – will they be stigmatised? Treated differently? Will it affect decisions around credit?



Behavioural science and the scarcity mindset

Lived experts highlighted the barriers to disclosing their circumstances and as a coalition, we want to break this down. We've heard directly from consumers and, firms now can join a research opportunity, led by Cowry focussed on behavioural interviews and implicit response testing.

The disclosure of personal information around vulnerability can be a tough ask for customers. They might feel a sense of shame for their circumstances, or they might simply not think it's relevant to disclosure with financial organisations. Having a clearer understanding of what might be preventing customers from disclosure will allow for better strategies of communication across several different channels.

This research, which focuses on the financial industry, aims to provide insights for organisations in the private, public and third sectors. Specifically, this research aims to answer the following research question:

“What are the implicit and explicit barriers of disclosure?”

Cowry's aim is to uncover and provide insight to the entire industry, in order to apply and better support their customer base to disclose vulnerability.

- Vulnerability brings about a 'scarcity mindset'. When a resource is scarce, people will hyper-focus on that resource, prioritising it over everything else. This might be a scarcity of food, money, or companionship. The scarcity mindset is the equivalent of losing 14 IQ points or a full night's sleep.
- It becomes difficult to make long-term decisions. There are always knock-on effects for the remainder of a customer's financial health that need to be processed.
- Behavioural science is vital in creating the right disclosure environment. It can help create cues, to signal that someone is listening and receptive.
- There are also important considerations over data privacy and whether organisations can be trusted to use data responsibly.

“Vulnerability is a deeply human condition, and it needs humans to help us understand it.”

Jan Levy, Managing Director, Three Hands Insights

“The financial sector makes it hardest for the human brain to make decisions. There are so many products, and so much jargon and the decisions are too far in the future.”

Ziba Goddard, UK CEO, Cowry Consulting

How to remain human in the face of AI

Challenging the coalition through innovation and
implementing key frameworks

How to remain human in the face of AI

Artificial intelligence brings both threats and opportunities in dealing with vulnerability. There is a danger that AI makes organisations less sensitive rather than more sensitive. On the other hand, used well, AI should be able to augment human intelligence rather than replace it.

Organisations push up against cost restraints when dealing with vulnerable customers. AI can automate straightforward tasks, freeing up individuals to give more tailored support where needed.

Predict Proactively identify customers who may become vulnerable based on behavioral patterns and life events

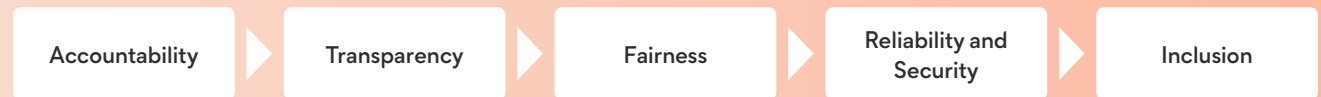
Interact Provide an intermediary to customers undergoing time intensive or high-stress journeys to offset unnecessary touchpoints

Educate Help customers who have limited financial literacy to build capability, navigate their finances and develop good habits

Design Develop, adjust and offer financial products specifically designed to support vulnerable customers

Artificial intelligence is still in its infancy. Trust will be important to its evolution and will take time to build. The application of AI will develop over the next three to five years and could be embedded in customer interactions within a decade.

Microsoft have created a set of Accessibility Principles to help address concerns around safety and accessibility. These cover:



AI is not about replacing humans. Used effectively, it should free up humans to give a more personalised and nuanced response to customers who need it most.

Potential uses for AI to manage vulnerability

- Education – ‘nudge’ theory – the gamification of financial decision-making is already happening. There are tools to meet savings goals, for example or understand the consequences of decisions in real time. AI can help people empathise with their future selves.
- Giving customers tools to develop their financial acumen – ‘Duo Lingo’-style approach to creating financial literacy and capability.
- Identifying vulnerability – vulnerable customers often do not declare themselves. Equally, vulnerability may be transient, created by life events or health problems. As such, organisations need to be able to identify signs of vulnerability and create frameworks for dealing with customers appropriately.
- Product development – with a better understanding of the customer, products and services can be better targeted.
- Action on fraud – there is already a lot of work looking at ensuring vulnerable customers are not subject to fraud.

“AI allows us to analyse large data sets, including customer behaviours and transactional patterns, to identify early signs of vulnerability.

This should be an aid to customer service teams, allowing them to ask, ‘how else can I help this customer?’”

Diane Berry, Chief Data and Analytics Officer, Phoenix Group

How the FCA is driving and supporting change

Joanna Legg, Head of Department, FCA

Consumer duty came about because consumers were finding it hard to make informed decisions and to make them at the right time to manage their finances. At the same time, there were products that didn't represent fair value, where the benefits and quality didn't stack up versus the price. Customers were losing out because of inertia and firms not taking account of vulnerability.

It focuses on four areas: consumer understanding, products and services, price and value, and customer support. Crucially, the consumer duty rules require firms to consider the needs, characteristics, and objective of consumers, including vulnerabilities, throughout their journey. Firms need to act in good faith and avoid causing foreseeable harm.

“Successful firms have reviewed communications to boost customer understanding”

Now the new rules are in place, the FCA can switch from monitoring implementation to examining evidence of consumer outcomes. The aim is not just compliance, but to create a genuine shift in the culture of firms. The firms that have done well have focused on the outcome they want to achieve upfront.

Successful firms have reviewed communications, changing the format and language in order to make content clearer and boost customer understanding. Insurance companies have highlighted policy exclusions upfront, for example. Some firms have turned off productivity targets for customer service staff if someone is identified as vulnerable, allowing that staff member to provide a bespoke service.

Disclosure plays a fundamental role in delivering good outcomes. If a firm doesn't know or can't verify customer circumstances, they will struggle to provide additional support. For both the vulnerability guidance and consumer duty, the FCA expects financial services firms to have systems to support vulnerable customers.

What next?

In the FCA's last financial services survey, it found 53% of UK adults have characteristics of vulnerability, but only 13% of them also consider themselves to be vulnerable. Customers may not want to identify themselves. Firms need to be listening to their clients and paying attention to their needs. They also need to tell their customers about the support available and make it clear what will happen if they use it.

Building trust is crucial.

Keeping the momentum

Thank you to everyone who contributed to the summit

We need to keep the conversation and momentum going and continue to work together to address the societal impacts and create better customer outcomes.

We are already doing this through sharing barriers to disclosure research, collaborating with charities and exploring opportunities such as AI that will help us move forward faster for vulnerable customers.

Get in touch through our Centre of Excellence at: vc_coe@thephoenixgroup.com

“Our duty is to protect customers from harm, but we need to remove the barriers. I’m an optimist and believe that we can create a coalition and level the playing field to give some semblance of consistency for people as they are trying to navigate across the various financial institutions. Let’s keep the conversation going.”

Riffat Tufail, Head of Customer Vulnerability, Phoenix Group



Contact us

News and updates

In line with our Sustainability Programme and our commitment to reduce our environmental impact, you can view key information on our website:

[thephoenixgroup.com](https://www.thephoenixgroup.com)

To stay up-to-date with Phoenix Group news and other changes to our site's content, you can sign up for email alerts, which will notify you when content is added.

<https://www.thephoenixgroup.com/site-services/email-alerts>



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