

**Toynbee Hall Listening Event for Financial Conduct
Authority on “may have regard to access”:**

Report on Key Issues and Recommendations

10 June 2013



Toynbee Hall

Learning from local action | developing national solutions

Summary of Key Issues and Recommendations

Toynbee Hall hosted a Listening Event for stakeholders concerned about consumer access to financial services on 10 June 2013 on behalf of the FCA. The following key issues and recommendations were raised:

Key Issues:

- Use of jargon and complicated T&Cs/complicated English is a key barrier
- Policies are misunderstood/applied incorrectly by staff and customers
- Barriers exist for specific customer groups e.g. ex-offenders, older people, those living with illness as a result of that condition
- Existing customers don't get a fair deal – new customers are treated better
- "Hard sell" and marketing get in the way of finding the right product
- Products are too complex to know which meets your needs best
- Consumers are unaware of specialist services and discounted service entitlements
- Consumers often unaware of the true, full cost of the product, particularly if there are fines/penalties/default fees
- Consumers don't know what they should expect to receive in return in the form of the product and associated services, particularly when things go wrong
- Consumers don't know what information can be trusted
- Comparison sites don't appear trustworthy due to ownership/sponsorship
- People turn to costly/higher risk options as feel they have no choice when products/services let them down
- Complaints procedures are ineffective and unhelpful – needs clarity
- People make things work if products/services aren't quite right for them – they adapt, or they force the product to adapt
- People avoid problems
- Leaving a product/service is too difficult

Key Recommendations:

- Financial products need to be accessible, flexible, transparent and tailored to needs, particularly where there are specific needs due to illness or disability
- Products need to be smart to make them effective e.g. automatic reminders for payments etc. – they need to work for the consumer, not against them
- Product/service design needs to be inclusive to ensure it meets true needs
- Service providers need to be proactive in spotting and responding to problems, and they need to give sound advice when they start to take notice/action
- Peer/trusted intermediary product recommendations would be helpful
- Products must be accessible for those with disabilities when shopping on line
- Consumers need better understanding of consumer rights and better access to advice/support
- Need clear, jargon-free language to describe products and explain T&Cs
- "Transparent" should mean everything that needs to be known, is known at the right time
- Service providers need to be supportive when things go wrong
- Service providers need to take their fair share of responsibility: responsible marketing, clear information, respond to the individual customer's needs by providing the most appropriate and best priced product, and proactive support, including offering forbearance and signposting to trusted advice
- Comparisons need to be like for like to allow true cost vs benefit analysis

Introduction

As part of its competition objective, the Financial Conduct Authority (FCA) 'may have regard' to a number of factors, such as the ease with which consumers can access products including those from economically or socially deprived areas. This is a new area for the FCA and, while the legislation puts clear limits on what the regulator can do about access, the FCA wanted to hear from consumer groups about some of the main concerns facing people when it comes to accessing financial services. Toynbee Hall, on behalf of the Financial Conduct Authority, therefore facilitated a Listening Event on 10 June 2013 to enable the FCA to hear consumer organisation and expert views on implementing its new powers.

Methodology

The key objective was to elicit views on questions central to interpreting and implementing the FCA's powers. We therefore selected Knowledge Café methodology to enable participants to develop ideas and reach conclusions in response to each of these central questions. Sitting in small groups, participants moved from table to table to consider this series of questions, one question at each table. Participants made notes of points of interest on the tablecloth. After a fixed discussion period, participants moved round to consider the next question, with one participant staying behind to summarise their discussion to the new group, before rejoining their peers in the discussion at the next table. As each group reached their final question, they summarised the key points into conclusions and recommendations, which were then reviewed by the whole group. For this event there were two sets of duplicate Knowledge Café tables, each set with its own group of participants producing a unique set of recommendations in response to an identical set of questions. We were therefore able to analyse both similarities and differences between the two sets of responses to the one set of questions.

Key Questions

Toynbee Hall and the FCA team designed the following 6 discussion questions:

Question 1 on gaps and market failure: If your service users could commission or adapt a financial product to meet their needs perfectly, what would it look like?

Question 2 on barriers to access and usage: what difficulties do your service users experience around financial services and products?

Question 3 on consumer needs: what do your service users need from financial services providers?

Question 4 on information gaps for consumers: what don't your service users know about financial products and what needs to change so they know more of the right information?

Question 5 on consumer capability: what would help your service users feel confident to use or shop around for a wider range of financial products?

Question 6 on complaints, feedback and workarounds in the event of product/service failure: when a financial product doesn't quite meet someone's needs or causes difficulties, what do your service users do?

Recommendations and Conclusions

Question 1 on gaps and market failure: If your service users could commission or adapt a financial product to meet their needs perfectly, what would it look like?

Key themes:

- **Products need to be accessible, flexible, transparent and tailored to needs, particularly where there are specific needs due to illness or disability**
- **Less of a focus on specific new products (e.g. only Group B thought jam jar accounts were necessary)**
- **Products need to be smart to make them effective e.g. automatic reminders for payments etc. – they need to work for the consumer, not against them**

Group A:

Existing products need to conform to regulations which protect users:

- Security
- Prioritising choice
- Transparency
- Affordability
- Low cost
- Easy and cheap switching
- Fair (e.g. health insurance for people with existing health conditions)

Existing products need to be more accessible in all senses, including communication, physical access and technologically:

- Locality
- Choice e.g. need to be able to access a bank account in person from the bank of one's choice
- Range of options for communicating
- Mobile payments
- Being aware of barriers (disability, learning difficulties, language barriers etc.)
- Need to be accessible both via technology and for those without IT access
- Better access for higher risk groups e.g. more risk-based approach to people with convictions

Need a product/solution for emergency cash:

- Could be addressed by education or awareness-raising
- Need signposting to more appropriate products
- Do we need new, more appropriate lending products? E.g. interest free loans to provide temporary respite to e.g. clear mortgage arrears

Comments (from the group itself)

- Not much mention of new products
- No mention of jam jar accounts
- Existing products considered sufficient but not enough clarity on access to or advice on choice, and providers not meeting standards

Group B:

Jam jar account – should be available to everyone and does not need to be basic – needs to be one account which provides a current account, a bills account and a savings account in one product.

Products need automatic reminders – e.g. automated text or email reminder service (channel needs to be appropriate to the customer)

Need fairness and transparency about financial products – including reducing complexity and use of legal jargon – need to “do what they say on the tin”

Products need to be affordable, inclusive and accessible

Question 2 on barriers to access and usage: what difficulties do your service users experience around financial services and products?

Key themes:

- **Use of jargon is a key barrier, as is complicated T&Cs/complicated English generally**
- **Policies get in the way – they are misunderstood/applied incorrectly by staff and customers**
- **Barriers exist for specific customer groups e.g. ex-offenders, older people, those living with illness as a result of that condition**
- **Products are not tailored to meet specific needs**
- **Existing customers don't get a fair deal – new customers are treated better**
- **“Hard sell” and marketing get in the way of finding the right product**
- **Leaving a product/service is too difficult**
- **Products are too complex – it's impossible to know whether you are choosing the right one for your needs**

Group A:

Communications must be clear and comprehensible – i.e. plain English - needs to take learning difficulties into account. This is particularly important for Terms and Conditions.

Important there is no “well-meaning” but incorrect advice from frontline staff who don't understand products and services themselves.

Banks needs to make it clear what ID and AV documentation is accepted – MAS could help get this information out in a clear and reliable way.

Staff training must be improved e.g. dealing with Power of Attorney, disabilities, English as a second language

Power of Attorney is often recommended when it is not appropriate so need better awareness training around this.

Need a better understanding of MAS' role and services.

Unequal treatment of new vs existing customers

Upper age limits for products prevent access to essential products and services

Policies are applied inconsistently

Suggested/automatic switching of customers to better deals (as in energy industry proposal) – burden of being on best deal shouldn't fall on confused customers

Holistic financial services selling – look at budgeting needs of the customer and their financial plans/long-term needs

Culture change required in complaints handling – need more transparency around process and outcomes

Lack of tailored products

Needs to be easier to compare product ranges – not least for effective competition

Need better financial education at an early age

Everyone should have equal access to all products and services despite disabilities or illness

Need appropriate channels of communication with FS industry e.g. while in prison – how to access banking, savings etc.?

Group B:

Need to address the complexity and myriad of products:

- Need simple products scheme for loans and banks charges, with quality-assured simple products that provide reliable information about total costs

Identification and Address Verification system – practice need to meet stated policy for opening accounts etc.

Insurance schemes and other financial products – clients experience difficulties in leaving schemes /products which don't meet their needs. Often experience hard sell and a lack of clarity about what is covered or about alternatives.

Establishing minimum standards for basic transactional bank accounts to ensure that everyone who wants one can access an account

Lack of knowledge of all products e.g. not enough Credit Union marketing and/or websites

Question 3 on consumer needs: what do your service users need from financial services providers?

Key themes:

- **Flexible products to meet a range of individual needs**
- **Accessible through a range of routes to suit individual need**
- **Transparent so everything that needs to be known, is known at the right time**
- **Supportive when things go wrong**
- **Service providers need to take their fair share of responsibility – they market responsibly, they provide clear information, they respond to the individual customer's needs by providing the most appropriate and best priced product, and they support proactively when required, including offering forbearance and signposting to trusted advice**

Group A:

Fairness, honesty, transparency – is this about addressing perceptions?

Continuous Payment Authority should be banned

Underwriting policies should be transparent

Need genuine risk-based pricing models

Flexible – products and services need to be able to adapt when things change in people's lives:

- Noting different user preferences e.g. access issues
- Process for changing use of product/access method e.g. notifying hospital stay, temporary periods of reduced mental health
- Should be clear from the outset what options are available and what policy process is in place should problems arise and frontline staff need to be properly trained in these procedures

Accessibility:

- All methods should be available – telephone, face to face, email and letter
- Technology and staff training in place to meet needs of service user – service should be accessible and the service user shouldn't have to change the way they access the service
- Plain English
- All appropriate adaptations should be in place

Proactive at offering support and impartial advice:

- Strategies for/options available to deal with periods of (potential or actual) temporary financial difficulty
- Specialist support teams in place and easily accessible (e.g. known by frontline staff)
- Forbearance should apply to all credit products

Group B:

Need to nail affordable and suitable credit (and do something about payday lending in particular)

Transactional banking that meets needs of lower income and financially excluded customers:

- Fair charging, less reliance on contingency charges for cost-covering
- Fair access
- Control for the customer – minimise costs of failure (when banking goes wrong)

There is a need for providers to understand consumer needs and be flexible to meet these needs:

- Less reliance on consumers to make “right choices”
- Deal with change
- Particular needs for information, explanations and support
- Support over time
- Simple, clear, jargon-free

Social responsibility (many providers use clever marketing strategies which lead to consumer detriment)

Financial Services providers need to refer customers to debt advice agencies if that is the most appropriate course of action (rather than lending to customers to repay other debt)

Question 4 on information gaps for consumers: what don't your service users know about financial products and what needs to change so they know more of the right information?

Key themes:

- **Consumers are unaware of specialist products/providers and discounted service entitlements**
- **Consumers often unaware of the true, full cost of the product, particularly if there are fines/penalties/default fees**
- **Consumers don't know what they should expect to receive in return in the form of the product and associated services, particularly when things go wrong**
- **Consumers don't know what information can be trusted**

Group A:

Specialist products are available but people don't know about them:

- Smaller providers need to be supported to market their services/products
- Larger providers need to signpost to more appropriate providers and pass on details (e.g. if a firm won't serve an ex-offender, it should refer them to a firm that will)

Regulatory action to reduce market failure regarding providing clear and timely information when details change e.g. APR etc. and on checking terms are fair

People don't know where they can go for trusted information:

- Independent information needs to be available, perhaps accredited so that the public know where to go for trusted facts

Information needs to be made available in fully accessible formats, including in a range of forms e.g. on-line, off-line etc.

Burden of "knowing what to disclose" needs to fall on provider e.g. must make it clear what must be disclosed about convictions rather than leaving it to the user to guess and be penalised later for non-disclosure

Need consistency across the market with core standards e.g. "You should expect x level of customer service which includes "A, B and C" – should be made clear what to expect about the customer journey, joining, claims, when things get tough etc.

Customers don't know about entitlements to discounted services e.g. if on specific forms of benefit

Group B:

Customers don't know the full cost of a product. There is no good/consistent way of e.g. firms stating the cost of credit across different product classes for comparison.

Customers don't know the availability of products such as basic bank accounts or the services offered by Credit Unions:

- Banks need to serve the interests of consumers, not just shareholders and market BBAs more widely

Customers don't know the technical details of a product especially aspects such as APR:

- Need these aspects explained in plain English that is meaningful to the customer

Customers don't know what will happen if "things go wrong", particularly in terms of default costs:

- Default costs should be disclosed up front
- Service providers must be required to say up front in plain English: "if you fail to keep to the terms of this agreement (e.g. pay x by y date), the additional cost will be £x. The impact on your credit rating of this will be....." Similar to smoking deterrent warning on tobacco products.

Customers don't understand charges properly:

- Consumer credit default fees should be standardised across the board on all types of products e.g. Consumer Credit Acts states £12 fixed fee – why is this not implemented?

Regulator should be more proactive.

Re-examine regulation of Credit Unions – they have their own loan and credit policies.

Question 5 on consumer capability: what would help your service users feel confident to use or shop around for a wider range of financial products?

Key themes:

- **Hard sell/marketing gets in the way of being able to choose with confidence**
- **Comparison sites don't appear trustworthy due to ownership/sponsorship**
- **Comparisons need to be like for like to allow true cost vs benefit analysis**
- **Peer/trusted intermediary recommendations would help**
- **Accessibility – particularly for those with disabilities when shopping on line**
- **Better understanding of consumer rights and better access to advice/support**
- **Clear, jargon-free language to describe products and explain T&Cs**

Group A:

Comparison websites can be accessible to blind or partially sighted customers but then the click through site is not, making it impossible for these customers to shop around.

Comparison sites are based on "average" consumers, meaning there is nowhere to go for disabled/ill/elderly/special needs

Lack of trust in comparison sites that are often owned/sponsored by insurance groups

Can choose to use a fee-charging broker but this should not be due to a lack of alternatives

Fear of the hard sell – both for the product you are enquiring about and others that you have no interest in

All leads to general mistrust and bad experiences – how do you know what you end up with is really the best product for you?

People start with a negative attitude about banks wanting to rip them off

Providers need to be more knowledgeable and understanding about various health conditions and their needs/implications for financial services and products

Plain English and easy-to-understand products without lock-in periods

Questions such as "have you ever taken drugs" are unhelpful and often irrelevant

Product searches truly need to compare like with like and not be confusing

People need on-going support to remind them the level of cover/service they have purchased/can expect

Trusted recommendations from consumer groups/charities would help and consumer groups/charities should be able to direct their clients confidently to providers knowing they will receive consistently good treatment – would need FCA to relax the rules around recommending products/providers

People need better information on their rights to products e.g. banking/Basic Bank Accounts

Discourage “bundling” so people can compare prices better

Group B:

Clear:

- Clear information on products
- “Does what it says on the tin”
- Clarity of options
- What to do if it goes well/badly
- Remove jargon
- “Tell me what I need to know, when I need to know it”

Honest:

- Unbiased advice
- Be fair
- True costs
- Transparent information

Simple:

- “Does what it says on the tin”
- Easy to compare across products
- Make it easy to move and compare
- “Don't baffle me with terms and conditions and small print – make it relevant to me”

Reliable:

- Better regulation breeds confidence
- Make processes easy
- “When it goes wrong, empower me to put it right” – my perception now is that there is nothing I can do/use to support me

Personalised:

- Products suitable for consumers
- Make recommendations for me/by my peers
- Person-centred approach
- Smart disclosure – Midata

Question 6 on complaints, feedback and workarounds in the event of product/service failure: when a financial product doesn't quite meet someone's needs or causes difficulties, what do your service users do?

Key themes:

- **People turn to costly/higher risk options as feel they have no choice when products/services let them down**
- **Complaints procedures are ineffective and unhelpful – needs clarity**
- **People avoid problems – so they need service providers to be proactive in spotting and responding to problems, and they need to find sound advice when they start to take notice/action**
- **People make things work if products/services aren't quite right for them – they adapt, or they force the product to adapt – so product/service design needs to be inclusive to ensure it meets true needs**

Group A:

High street banks can learn from retail about effective complaints procedures and how to use complaints to drive product/service improvement

FCA should have a consumer rights sections on their website detailing rights regarding different products

People need to understand early intervention and how to avoid financial crisis - and service providers should be proactive about this

When services/products don't work, people move to higher risk/cost options including illegal money lenders

Point of sale and product design need to be improved so people can be confident products will pay out/function as needed when needed

Group B:

Service users tend to bury their head in the sand hoping problems will go away – they do not always assess how their own behaviour may relate to their problems

Refinance – payday loans are used as a short-term fix to a budgeting issue

Some try to resolve the problem but then experience problems e.g. costs incurred by cancelling current product, complexities and costs of complaints systems

Seek help from fee-charging DMPs/claim management companies/ambulance chasers etc.

Takes a lot of time to identify the product does not meet their needs

Early intervention:

- Clarity of product initially (including charges/defaults)
- More flexibility in addressing solutions
- Access to independent, unbiased, expert advice initially (free)

People find a way to make things work – so if they can't remember their PIN, they write it down and give it to someone to use on their behalf, or they give someone blank signed cheques etc.

Annex A: Attendees

Facilitator: Sian Williams, Head of Financial Inclusion, Toynbee Hall

FCA Participants:

Martin Coppack

Cerris Tavinor

Jed Hodgson

Diana Green

Maria-Jose Barbero

Erin O'Shannessey

Yasmin Raza

Julian Edwards (Financial Services Consumer Panel)

Stakeholder Participants

Barbara Limon

Age UK

Bob McPhee

Stepchange Debt Charity

Caroline Wells

Financial Ombudsman Service

Chris Stacey

Unlock

Clarissa Stoneham

Hammersmith and Fulham Citizens Advice Bureaux

Daniel Groves

DWP, Social Justice Division

Doug Taylor

Which?

Ellie Brawn

Scope

Farah Ashraf

Family Mosaic

Gary Wells

Toynbee Hall

Janet Boyce

The Royal British Legion

Jennifer Tankard

Community Development Foundation

Jo Gibson

NASMA

Jonathan Stearn

Consumer Futures

Julian Edwards

FCA

Julie McCurley	Consumer Council
June Walker	Glasgow Credit Union
Karishma Chandaria	Alzheimers Society
Lana Hersak	London Rebuilding Society
Léonora Miles	Macmillan Cancer Support
Lesley Richardson	Prince Bishops Community Bank
Linda Lennard	George & Lennard Associates
Lindsay Owen	Princes Trust
Lorraine Jones	Islington & Shoreditch Housing Association
Matt Earnshaw	Circle Housing
Maura Farrelly	Tower Hamlets Council
Meg Van Rooyen	MAT
Michelle Highman	Credit Action
Miranda Akhurst	Which?
Nick Waugh	Citizens Advice
Nicola McCrudden	Housing Rights
Pamela Meadows	FSA Consumer Panel
Peter Richardson	Hyde Housing
Peter Tutton	Stepchange
Phil Holdsworth	CAP
Rachel Cray	Citizens Advice Northern Ireland
Sarah Murphy	Rethink
Steve Korris	MyBnk
Steve Webb	RNIB
Stew Horne	Ofgem
Vanessa Furey	Action on Hearing Loss
Wendy Alcock	Money Saving Expert

Toynbee Hall has been a leader in financial inclusion since 2002. We work with government, financial services and social welfare providers to develop effective financial inclusion solutions, which support households to manage their money better and reduce the impact of poverty on individuals, organisations and communities.

We provide specialist consultancy, training and evaluation services to the social housing sector to reduce the impact of financial exclusion and enable families to sustain tenancies.

For more information log on to www.toynbeehall.org.uk/FITC

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