StepChange Debt Charity response to the Financial Conduct Authority Consultation: Approach to Consumers

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StepChange Debt Charity London Office
6th Floor, Lynton House, 7-12 Tavistock Square, London WC1H 9LT
Policy Contact: Grace Brownfield
Tel: 0207 391 4581
Email: grace.brownfield@stepchange.org

Introduction

StepChange Debt Charity welcomes the opportunity to respond to this consultation on the Financial Conduct Authority's (FCA) Future Approach to Consumers.

StepChange Debt Charity is the largest specialist debt advice charity helping people across the UK. In 2017, we helped 620,000 people with their debts.

Through our services, we see how a combination of adverse circumstances, poor options and the conduct of financial services providers can increase consumers' vulnerability to debt and make financial difficulties harder to deal with. In the first half of 2017, we supported 14,484 people who identified as vulnerable, representing 17.6% of the total number of telephone clients during that period. We therefore welcome the FCA's Consumer Approach document, and the ambition set out in this to improve outcomes for consumers, particularly those who are vulnerable.

The Consumer Approach builds on important progress in recent years. The FCA's Occasional Paper on Consumer Vulnerability and subsequent work have impacted not only on the financial services sector, but have also led to positive impacts in other sectors, which have followed the lead of the FCA. In some cases, these sectors have begun to go further, for example Ofgem's introduction of a generalised principle of vulnerability into its rules. This shows how important it is that the FCA continues to prioritise vulnerable consumers, and lead the way in improving how firms identify and respond to their needs.

The Consumer Approach document challenges us all to think carefully about complex issues regarding vulnerability and regulation. This is much needed and we appreciate the willingness of the FCA to have genuine conversations and consultation on how to get the right outcomes for vulnerable consumers, and create a market that works for them.

To achieve this, we all need to understand and view the market from the perspective of vulnerable consumers. As we will set out in our response, by considering the vision for a well-functioning market in this way, and adopting a more social model of disability, we believe the FCA can build on the progress to date and deliver further, necessary improvements to the experiences of vulnerable consumers.

Finally, by framing the vision set out in the Consumer Approach as 'aspirational', we are concerned that the FCA may be undermining the vast progress made to date and the potential for further improvements to be made. Whilst we appreciate this is not the intention, it suggests a market which protects consumers, particularly those who are vulnerable, can only be 'aspired to' rather than delivered.

We hope that, going forward, the FCA will give a clear expectation that this vision is achievable, and will be worked towards as a priority. As we set out in our response, we believe this should include:

- Making it clear that consumers cannot be expected to take responsibility in all situations – particularly where they may be vulnerable, or where there is complexity or uncertainty. This includes making it clear that a consumer cannot take responsibility unless a firm has treated them fairly.

- Recognising the role that firms' relationship with their customers can play in exacerbating vulnerability, and therefore the importance of firms proactively identifying vulnerable individuals and designing products and services that meet their needs.

- Rethinking the proposed new definition of vulnerability set out in the Approach document so that it builds on, rather than risks, the progress that has been made to date.

- Ensuring vulnerable consumers are given appropriate weight in cost-benefit analysis.

- Making clear what a well-functioning market means for vulnerable consumers, and measuring against this.

Further information on these points is set out in the response to the specific consultation questions below. We look forward to continuing to engage with the FCA on these important issues to work towards our shared outcomes of reducing harm and improving outcomes for consumers.

Question 1: While having regard to the general principle that consumers should take responsibility for their decisions, do you agree that there are circumstances where consumers cannot be expected to take responsibility? What do you think these circumstances are? How could – and should – the FCA intervene in these cases?

StepChange Debt Charity strongly agrees that there are circumstances where consumers cannot be expected to take responsibility for their decisions. This includes where somewhere is vulnerable, a product of service is particularly complex or where there is uncertainty – for example, around the risks of taking on credit, or where someone buys a long-term product and does not know what their future circumstances will be.

We welcome the FCA's recognition in the Consumer Approach of the limitations of consumer responsibility and the explicit expectation set out in the Approach document that firms must exercise extra care in certain circumstances, such as were consumers may be vulnerable.

As highlighted above, in the first half of 2017 17.6% of StepChange clients reported circumstances of vulnerability. This includes mental and physical health problems, communication difficulties, reduced mental capacity, having low financial resilience, or those experiencing particular life events, such as a bereavement or divorce. As the Consumer Approach acknowledges,[i] all of these circumstances can make people more susceptible to harm – something we see clearly through our work. For example, we know that households with lower incomes and households with children are significantly more likely to experience serious debt problems;[ii] and that one in four people with a mental health problem is living with debt or arrears.[iii]

These circumstances can also make it more difficult for people to understand information, make decisions or articulate their needs to firms. We therefore welcome the clear commitment made by the FCA in the Approach document to prioritise the needs of vulnerable consumers, particularly those with low resilience.

As the Consumer Approach recognises, a consumer's capability is not fixed and people can move in and out of circumstances which affect their ability make decisions that support their longer term interests. Firms offering products or services to a wide range of consumers therefore need to ensure that these are not likely to cause harm to consumers with lesser capability. Similarly, where firms offer long-term financial products, such as mortgages, significant flexibility needs to be built into these products, and accompanying policies, to allow for potential changes to capability over the lifetime of the product.

The role of firms

It is also important to recognise that a consumer's ability to engage with a market and take responsibility for their decisions is not solely based on their own level of capability. The way that the market or individual firms act can impact on the choices a consumer is able to make.

Approaching consumer responsibility from a social model of disability helps highlight this. Under this model, disability or vulnerability is not fundamentally caused by a person's impairment or characteristic, but by the way society (or in this case, a firm's conduct or products) is organised. Applying this model to the consumer responsibility principle, we would argue that consumers can only be expected to take responsibility where firms have fulfilled their obligation to treat them fairly, and taken action to understand their needs and adapt their actions accordingly.

Under this model, regulatory intervention is needed to ensure firms treat their customers fairly and adapt their products and services to meet the needs of different consumers. We appreciate that the FCA's current approach to doing so is through Principle 6, and Treating Customers Fairly (TCF). However, we are concerned that without a vulnerability concept clearly embedded in these regulatory tools, this won't necessarily meet the needs of vulnerable consumers. Embedding vulnerability into TCF and ensuring good product governance could help to ensure that firms work to anticipate and address consumers' specific needs. If this was to be labelled explicitly, this could become similar to a duty of care – something a number of organisations have called for.

Whilst we appreciate there is an argument that the existing FCA principles and the obligation to treat customers fairly (TCF) should already deliver the same outcomes as a duty of care, this is not what we see in practice. We have set out a number of examples of this in our responses to the FCA on credit cards, high cost credit, and overdrafts.

We were disappointed that, on a duty of care, the Consumer Approach simply reiterated the previous commitment to publish a discussion paper on the duty of care as part of the handbook review once the UK exits from the EU.

It is clear from the responses to the FCA's Mission Review and the current discourse in the sector that further discussion on the merits or otherwise of a duty of care is needed. We believe this should take place as soon as possible, and be uncoupled from the handbook review, to ensure a full debate can take place. This would also provide an opportunity to examine further the argument that the existing FCA principles and TCF should already provide an implicit duty of care, and consider why this is not necessarily the case in practice. Moving the timescale for the discussion paper forward would also help ensure that any discussions about the regulatory landscape post-Brexit, and the Handbook review, could be done with as clear an understanding as possible of whether, and how, financial service firms have a duty of care to their customers.

Finally, on consumer responsibility, we would highlight that, in some cases, even when a consumer is taking responsibility for their decisions, the choices on offer may both be unsuitable and likely to result in harm. For example, a consumer with low income and no savings who faces an unexpected cost or bill may find themselves choosing between taking on high-cost credit, or going into an unarranged overdraft– both may be unaffordable for that individual and could lead to harm. This is backed up by research with StepChange clients, which found that six in ten people that did not get the help they needed from their creditors – for example freezing further interest, charges, collection and enforcement action - went on to take out more credit to try to cope with their debt problems.[iv] This reinforces the point made above about how conduct from firms can drive people towards decisions which may cause them harm, and create or entrench existing vulnerabilities.

Whilst we appreciate that the FCA cannot be expected to ensure consumers never make bad choices, we would expect the FCA to be looking out for consumers who may be forced by their circumstances, or by the actions of firms, towards bad choices. This could include the FCA intervening to ensure that firms are consciously designing foreseeably bad outcomes out of their products and services.

We also think it is vital that the FCA continues to challenge firms to improve the extent to which they are consistently identifying consumers who may be in vulnerable circumstances, and taking appropriate action to ensure positive outcomes for those consumers and to prevent harm occurring. To support this, firms also need to take action to create an environment in which customers feel comfortable to disclose their personal circumstances, knowing they will receive an appropriate response and support. We expand upon this point in our response to question 2.

Proportionality

A further point we would raise when considering how the FCA should intervene, is around proportionality. The Consumer Approach clearly sets out how vulnerable consumers often have a lower tolerance to loss than other consumers; meaning that a small loss to them may have a greater impact than to someone not generally considered to be vulnerable.[v] However, the number of consumers in a vulnerable situation may be a small part of a given market.

With this in mind, we are concerned that the FCA's approach to diagnosing harm, as set out in the Approach document, may create a barrier to addressing the needs of vulnerable consumers. Under cost-benefit analysis, because the number of consumers affected may be small, there is a numerical imbalance which can discourage intervention; and we have heard proportionality stated as a constraint on remedies, including the possible costs that may be incurred by other (not vulnerable) consumers.

We are concerned that this could mean that the needs of vulnerable consumers are not being adequately considered or weighted in discussions about consumer protection, especially in cases where the market serves some consumers well but more vulnerable consumers poorly (as was found in credit cards and retail banking). To help address this, we would reiterate the recommendations we made in our response to the Mission Consultation:

- The FCA should give more weight to vulnerable consumers in cost-benefit analysis. This should include ensuring that it is not just the number of people affected that is taken into account, but the extent and severity of the impact on an individual.

- The FCA could be more explicit in defining an 'appropriate level of consumer protection' in terms of outcomes for vulnerable consumers. Only when this is defined should the FCA then have regard to the proportionality principle in respect of assessing different possible approaches to achieve these outcomes.

- The FCA should do more to ensure firms build better concern for the needs of vulnerable consumers into their 'product governance'. Here we note that vulnerable consumers can experience detriment from both poorly targeted mainstream products and products that are aimed at them but not well aligned to their needs.

Question 2: Do you agree that firms have a responsibility to take reasonable steps to identify the signs of vulnerability, and to have processes in place to take appropriate action where they have identified a consumer with a particular need and at particular risk of harm?

Early and effective identification of vulnerable consumers is vital in ensuring that they get the right support to meet their needs, and to prevent harm occurring. We would fully endorse the view that firms have a responsibility to take reasonable steps to identify the signs of vulnerability, and to have processes in place to take appropriate action where they have identified a consumer with a particular need and at particular risk of harm.

We would argue this is particular necessary given the wide range of evidence that suggests consumers may not feel comfortable disclosing their circumstances or vulnerability to a firm, and may be worried that they will be disadvantaged or unfairly treated if they do. We would point to the finding from the Financial Lives Survey, for example, that over 4 in 10 (46%) of potentially vulnerable consumers said they did not have confidence in the financial services industry.[vi] Given this, it is imperative that firms take all necessary steps to identify vulnerable consumers. This could include utilising data; training staff to identify potential signs of vulnerability when engaging with customers; and giving clear signs to customers that any disclosure will be handled sensitively and appropriately.

In our recent report *Stuck in the red: StepChange Debt Charity client stories of persistent overdraft debt*, we highlighted the potential for banks to work with the FCA to find triggers and more proactively identify customers who are in, or at risk of, persistent overdraft debt (i.e. those that are struggling to get out of their arranged overdraft over a long period of time). Examples such as this highlight how firms could make significant progress on supporting vulnerable customers by adopting further identification processes and we believe the FCA should set a clear expectation on firms to be doing so.

In discussing the role of firms in relation to vulnerable consumers, we would welcome further consideration being given to the importance of firms developing proactive approaches to vulnerability. As we set out above, a person's particular circumstance does not in itself make them vulnerable. However, they can become vulnerable when a firm fails to properly anticipate or meet their needs. Therefore, wherever possible firms should be proactively identifying signs of vulnerability, as well as proactively designing products and services that meet the needs of these vulnerable consumers, or have flexibility built in to enable them to adapt depending on an individual's circumstances. Doing so has a number of benefits:

- Such an approach better reflects the transient nature of vulnerability, where people may move in and out of vulnerable circumstances over the course of their interaction with a firm, or the lifetime of a product.

- As the number of vulnerable consumers grow – for example as a consequence of the ageing population and increased numbers living with long-term health conditions - embedding vulnerability at the heart of firms' business culture will help ensure financial services can meet the needs of this growing proportion of consumers.

- Proactively designing products and tailoring services to meet the needs of vulnerable consumers helps stop potential vulnerability from turning into harm.

Proposed new definition of vulnerability

StepChange welcomes the progress that has been made in recent years on supporting vulnerable consumers. The FCA's Occasional Paper and subsequent work have impacted not only on the financial services sector, but have also led to positive impacts in other sectors, which have followed the lead of the FCA in this area. We therefore believe that it is vitally important that the FCA continues to prioritise this and to ensure firms work to identify signs of vulnerability and take appropriate action to ensure these consumers' needs are met. We are pleased to see that the Consumer Approach highlights the FCA's intention to do so, and to ensure there is clarity over what is expected from firms in relation to vulnerable consumers.

However, we are concerned that the proposed wording of the new definition of vulnerability, as set out in the Approach document, could have unintended consequences which could affect the FCA's ability to achieve this vision.

Our concerns are as follows:

- **'readily identifiable':** Whilst we appreciate that there can be challenges in identifying individuals' vulnerability, we are concerned that this wording could imply that firms only need to take limited steps to identify vulnerable customers. Vulnerable consumers, by definition, may not be readily identifiable so using this term risks misrepresenting the circumstances of vulnerable consumers and thus the action firms need to take to ensure their needs are met.

  We do not believe vulnerability should be determined by how identifiable it is. As we highlighted above, we would expect firms to be using all tools at their disposal to identify individuals that may be vulnerable.

- **'significantly less able to engage with the market':** We are concerned that this implies that there is a one-way relationship between consumers and the market and does not capture the role of firms in ensuring people can engage with the market. We also think there are questions regarding whether looking solely at the 'market' is appropriate here. As we have argued throughout this response, the actions and conduct of firms can either reduce or entrench vulnerability, and we think it is important that this dynamic is reflected in any definition.

- **'suffer disproportionately':** We fully support the intention of the second part of the proposed definition, to highlight that a small loss to a vulnerable customer can have a significant impact. However, we are concerned that this could be interpreted to mean that a consumer must suffer more than another consumer to be considered vulnerable. We would welcome the FCA providing more clarity on this point to avoid the risk of that misinterpretation occurring.

We therefore do not believe the FCA should proceed with the suggested new definition of vulnerability as set out in the Consumer Approach.

We have developed an alternative definition (please see box below), in collaboration with Money Advice Trust, Bristol Personal Finance Research Centre, Money and Mental Health Policy Institute, Age UK, Macmillan Cancer Support and the Financial Inclusion Commission.

Alternative proposed definition of vulnerability

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

This means that firms are expected to take reasonable steps to identify, understand, and provide support to such consumers, while products and markets need to be accessible, transparent and designed with these consumers in mind.

Where firms and markets fail to treat vulnerable consumers fairly, or breach other consumer protection rules, the FCA will take action, including applying enhanced penalties. The FCA will also ensure the needs of vulnerable consumers are taken into account across its supervision, enforcement, market investigation and intelligence activity.

As you can see, the first part of this closely replicates the existing definition of vulnerability used by the FCA, whilst the second and third parts build upon this to provide further clarity over what this means in practice.

We appreciate further discussion may be needed on how to operationalise the definition. We believe it will be important that this includes consideration of how the definition can be embedded in rules. As we highlighted in the introduction, Ofgem recently introduced a generalised principle of vulnerability in its rules and we would argue this is something the FCA now needs to consider doing too. There is precedent for this, as the FCA will be aware, with CONC 8 (specifically CONC 8.2.7 and 8.2.8) containing rules around vulnerability for debt advice agencies.

In embedding the vulnerability definition in rules, thought would need to be given to how this could be linked to TCF – for example, whether a specific outcome related to vulnerability is required.

We would be delighted to work with the FCA on the further development and operationalisation of the definition.

Question 3: Which consumer issues do you think sit directly within the FCA's remit, and which are more a matter for Government? Are we right to commit our resources to working with other organisations such as firms, other regulators, Government, courts, consumer groups etc., where improved consumer outcomes may require action that is not within the FCA's regulatory toolkit?

StepChange fully supports the FCA's intention to commit resources to working with other organisations where improved consumer outcomes may require action that is not within the FCA's regulatory toolkit. Through our work, we see how consumers are increasingly reliant on financial services for their welfare outcomes. For example, StepChange research found that an estimated 8.8 million people in Great Britain used credit to pay for their everyday household expenses in the last year.[vii] Many people experience frequent income shocks and, as other forms of safety net are eroded, are increasingly reliant on financial products – such as credit – to cope with these.[viii] A number of these people may have other vulnerabilities too - in the first half of 2017, 17.6% of telephone clients StepChange supported identified as vulnerable.

For many of these people, they may have little choice in using financial services (credit in particular) even though this may not appropriately meet their needs, and may cause them harm. In addition, whilst problem debt has many causes, we see a strong link with firm's conduct. This includes poor lending decisions, unhelpful or aggressive arrears management practices and product features which cause or exacerbate financial difficulties.

This means it is all the more important that all options for improving consumer outcomes and reducing harm are considered. Collaborative working across a range of organisations may be increasingly required to ensure these consumers' needs are met. StepChange look forward to continuing to work with the FCA as part of this process.

As we will set out below, we believe the FCA's work in this area could extend to highlighting to policy makers where a competitive financial services market cannot meet people's needs without unreasonable risk of detriment, and advocating for action in these instances. We would note here the overlaps with the FCA's Approach to Competition and believe that consideration will need to be given in this to how the FCA will address this point.

When considering this distinction between the FCA's remit and that of Government, we would highlight several points. The FCA's current objectives require the delivery of appropriate protection to consumers. Our expectation is that this would explicitly include protecting vulnerable consumers from lending practices and product features that increase hardship and financial difficulties. An example of this would be the action the FCA has taken regarding high-cost short term credit to address and prevent consumer detriment.

There is an argument that taking action to protect consumers may lead to some firms leaving a market, or reduced access to a product or service. This could be seen as a tension between either restricting access, or allowing access, but not providing sufficient protection to consumers.

In terms of the FCA's remit in such circumstances, we would highlight that this is not always a straight choice between consumer protection and access. If ensuring access means allowing products and practices with a high built in likelihood of causing harm, then consumers are still facing poor choices and this is not a good regulatory outcome. Action by the FCA may therefore be needed to increase safe access by considering the scope for firms to look harder at their own governance of products aimed at more vulnerable consumers.

However, where this tension between protecting consumers and allowing access does exist, there is a clear case for intervention by the Government to help socialise a market, particularly where consumers are reliant on that market for their basic welfare needs – such as the increasing number of people relying on credit to cover essentials such as food and energy costs. Here, the Government must look at how they can provide alternatives that meet these needs without causing harm, such as providing alternative forms of affordable credit or support through the welfare system.

Question 4: Do you agree with the aspirational vision and outcomes that we explore? Are there any further barriers or risks to us achieving it?

We welcome the FCA setting out their vision for a well-functioning market and think this is an important step in ensuring there are clear outcomes by which to measure progress against. In developing our response to this question, we have aimed to consider this vision and outcomes from the perspective of vulnerable consumers. Through doing so, we have identified some areas where we believe the vision could be improved.

Indicator 1: Consumers are enabled to buy the products and services they need because the environment in which they are sold is clear, fair and not misleading with a good choice architecture

Whilst we welcome the recognition in the first indicator of the importance of consumers acting within a market which is clear, fair and not misleading, we are concerned that the outcomes listed here fail to take into account how people's circumstances can constrain the choice architecture they have.

Considering the experiences of our clients, we can see how people's decisions can be constrained by their circumstances. A single mother, who experiences mental health problems, has low literacy skills and a low income, needs money to pay for food for herself and her child. Her choice may be to take on high-cost credit that she cannot afford, or to go without basic welfare needs for her and her child. Even with effective choice architecture, her choice is constrained by the situation she is in, and she may end up with a product that will cause her harm.

Viewing this indicator through her eyes highlights the limits of competition in delivering positive outcomes for these consumers. We would welcome the FCA considering how this could be better reflected within this indicator and throughout the vision as a whole. For example, there could be greater reference to the need for good product governance where someone is faced with a choice between two poor options (e.g. adapting the final outcome to read: 'Where consumers cannot be, or face constraints in being active and able, they are matched with products that better meet their needs wherever possible *and there is good product governance in place to reduce the risk of harm to these consumers'*).

Indicator 2: Products: high-quality, good value products and services that meet consumers' changing needs

The above example highlights the importance of considering how the market works for all consumers, and how products and services meet the needs of a diverse range of individuals. This second indicator, and associated outcomes, raises the question of what happens when a product works well for a large proportion of consumers, but not for a significant minority. Overdrafts is a good example here: For many people they work well as a source for short-term borrowing, but for the 2.1 million people who were constantly in their overdraft in 2016[ix], they can lead to a cycle of debt that is very hard to escape from, especially given the additional charges and interest that may be added.

We would welcome further consideration being given to how this dynamic could be better reflected in the second indicator. We would recommend adding a further outcome, for example '*Where a product works for a majority of consumers, but not for all, rules and governance are in place to reduce the risk of harm to individuals for whom the product does not work well'.*

Indicator 3: Inclusion: everyone is able to access the financial products they need and the needs of vulnerable consumers are taken into account

We welcome that vulnerable consumers are specifically referenced in the vision for a well-functioning market. As the Consumer Approach recognises and, as we have set out throughout our response, ensuring vulnerable consumers' needs are met is a vital part of the FCA achieving its mission.

However, by stating that the needs of vulnerable consumers must only be 'taken into account', we are concerned that this outcome is not sufficiently strong enough. We believe it should better reflect the fact that in a well-functioning market, where vulnerable consumers are able to exercise consumer power, vulnerability would not just be taken into account but included by design. We would therefore suggest that the indicator would be more appropriate as follows: '*Inclusion: everyone is able to access the financial products they need and the needs of vulnerable consumers are understood and included by design',* with an outcome that '*Vulnerable consumers are able to access the financial products they need because their needs are taken into account".*

Here, we would also reiterate the point made in our response to question 3, that consumer protection and consumer access responsibilities may conflict in some instances and, when this happens there is a role for the FCA in helping ensure 'safe access'. This could be better reflected in the outcomes here, for example by adding 'without harm' so that the outcome reads as follows: 'All consumers can access basic financial services *without harm'.*

Overall comments

As the comments on each indicator demonstrate, examining the vision for a well-functioning market from the perspective of vulnerable consumers reveals that, for these individuals, the achievement of the stated outcomes is contingent on effective intervention from both the FCA and Government – for example, to provide safe access to alternative products where the market cannot meet an individual's needs, or to reduce the harm of products that may otherwise work for the majority of consumers. Socialising the market in such a way becomes a prerequisite for the achievement of the vision; competition alone cannot be relied upon to deliver it.

Unless this is adequately understood and reflected in the actions of the FCA and Government – through clear regulation and intervention where necessary - there is a risk that the vision of a well-functioning market set out here cannot be achieved.

Question 5: What further metrics would you use? Are there any specific data sources or tools that may be of benefit?

We welcome the FCA's ambition, set out in the Approach document, to clearly measure progress in improving consumer outcomes and experiences using a range of data. StepChange would be happy to work with the FCA to share data and insight, based on the experiences of our clients. As a concentrated group of vulnerable consumers, we believe measuring and understanding their experiences will be key to judging how much progress the FCA is making in this area.

More broadly, when considering measurement, we would emphasise the need for clear, specific outcomes and accompanying metrics. As a public body, we believe the FCA's outcomes and objectives should be easily understandable for the average consumer. This will help ensure that the FCA itself - along with consumers, charities and Government - can clearly see what progress is being made towards achieving its vision.

We note, for example, the setting out in the Approach document of three key commitments that will underpin the FCA's approach to vulnerable and excluded consumers going forward. Whilst it is welcome that the FCA is articulating these, we believe it is vital that such commitments are also easily accessible and understandable for consumers, particularly those who are vulnerable. To help with this, the FCA could consider publishing a simple, concise document alongside its final Consumer Approach which conveys, in easily understood language: what consumer protection means; what people should expect from firms; and how the FCA is working to protect consumers, including those who are vulnerable.

Doing so could help to address some of the issues we discussed earlier in this submission, and which were highlighted by the Financial Lives Survey, around consumer confidence and trust.

We would also reiterate the ask we set out in our response to the Mission Consultation around whether the FCA could, when drawing up interventions and remedy packages, be more transparent in stating the outcomes it expects these to deliver in line with its objectives. Where the FCA discovers actual or potential consumer detriment, we believe the aim should be to stop and prevent that detriment as completely as is practicable. This would provide a firm set of outcomes to assess performance against.

Question 6: Do you agree with this framework? Would you like us to consider any additional or alternative factors in how we regulate:

- For all consumers
- For the most vulnerable and excluded
- To meet the challenges of the future?

Overall, there are several points in the framework that we welcome. Firstly, it is good to see the continuation of a clear commitment to prioritising the needs of the most vulnerable and least resilient groups. We hope that this, coupled with the commitment that the FCA will 'take into account the extent and depth of the harm to vulnerable groups'[x] when considering penalties will tackle some of the difficulties around proportionality that we set out in question 1. We would welcome the FCA setting out clearly whether, as we recommend in our response to the Mission Review, this means that vulnerable consumers will be given more weight in cost-benefit analysis.

Further to this, we note the FCA's recognition of the importance of collecting information to diagnose and monitor harm, and to working with other organisations to do so. StepChange has been pleased to work with the FCA previously and to share evidence from our clients, and we look forward to continuing to do so in the future.

It is welcome that the Approach document, utilising data from the Financial Lives survey and elsewhere, highlights the risk of harm that can be faced by consumers with low financial resilience. This is something we see frequently in the experiences of our clients. We were therefore pleased to see the Approach document setting out that this will be a key area of focus for the FCA and that, in some cases, 'this may include exploring situations involving alternative products'.[xi] As we highlighted in our response to question 3, with consumers becoming more reliant on financial services to meet their basic welfare needs, it is vital that the FCA and Government consider all possible options for ensuring these needs are met without harm, including exploring safer alternatives where necessary.

However, as the FCA develops and refines the final framework, we would also reiterate a number of points made in response to the specific consultation questions above including: the importance of a social model of vulnerability; the role of firms in including vulnerability by design; and the need to view the market from the perspective of vulnerable consumers when considering outcomes. It is only in doing so that we can understand what a well-functioning market looks like, and how to achieve this for all consumers, including the most vulnerable.

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i Financial Conduct Authority (2017) FCA Mission: Our Future Approach to Consumers, p.9
ii StepChange Debt Charity (2015) Navigating the new normal: income shocks and financial difficulty
iii Mind (2011) Still in the red: Update on debt and mental health
iv Figures based on a survey of 926 StepChange Debt Charity Clients carried out in 2014
v Financial Conduct Authority (2017) FCA Mission: Our Future Approach to Consumers, p.41
vi Financial Conduct Authority (2017) Financial Lives Survey 2017.
vii Figures taken from YouGov Plc. Total sample size was 3,204 adults. Fieldwork was undertaken between 15th-19th December 2016. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+). Figures have been grossed up, using the ONS 2015 Mid Year estimates of adults in Great Britain: 49,921,573. Calculations have been undertaken by StepChange Debt Charity based on YouGov figures.
viii StepChange Debt Charity (2015) Navigating the new normal: income shocks and financial difficulty
ix StepChange Debt Charity (2017) Stuck in the red: StepChange Debt Charity client stories of persistent overdraft debt
x Financial Conduct Authority (2017) FCA Mission: Our Future Approach to Consumers, p.42
xi Ibid