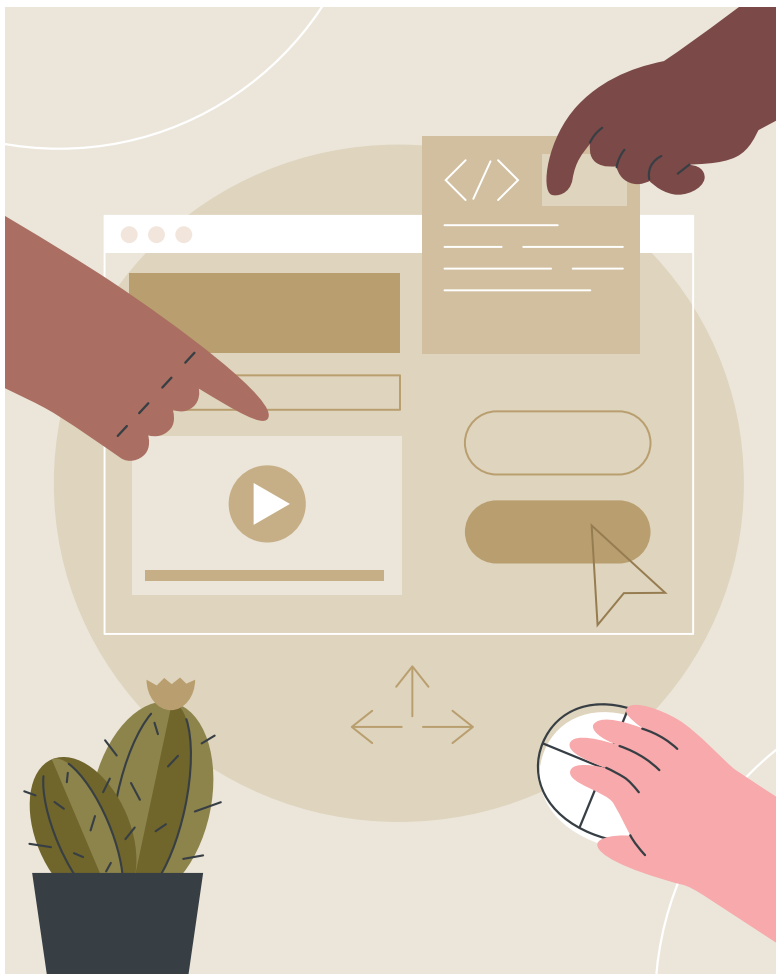


INCLUSIVE PRODUCT DESIGN

In search of a fairer, cleaner financial world

The inclusion of multiple perspectives in product design is essential to create accessible and inclusive offerings. Banks should feel empowered to challenge themselves to ensure they are keeping their customers' best interests at heart.



When it comes to ethical practice, it is fair to say that the banking industry hasn't always enjoyed the most favourable reputation. Although nowadays players on both the inside and outside of the sector are working towards inclusivity, we're also in a period of immense flux.

Technological advancements combined with global economic upheaval, and regulatory shifts, have disrupted the world of finance. Since 2015, 4,685 UK bank branches have shut (nearly half). Meanwhile, AI, Open Banking, and new entities such as FinTech neobanks have reimagined what was once an industry wrought by tradition. The Financial Conduct Authority's (FCA's) new Consumer Duty is set to increase ethical regulations placed upon financial institutions. Where does all of this leave financial product development?

How can financial institutions create and design ethical products that meet the financial needs of their customers in today's new world? Are banks and regulators doing enough when it comes to inclusive design?

Regulation incoming...

From an ethical standpoint, the FCA's new Consumer Duty will have a significant impact on financial product design. Coming into effect from 31 July 2023, the regulations will place an emphasis on the responsibility of banks and FIs towards fairness. The new rules will require them to consider customers' best interests when designing and manufacturing financial products. They will require regulated firms to act in good faith, provide customers with communications they can understand and deliver products that offer fair value.

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► Products that offer poor value for money, or deliver inadequate outcomes, are likely to come under the most scrutiny. This could include products where there is risk of loss of large amounts of capital, unregulated investments, poorly designed structured products and products with high termination fees or cancellation terms. In these instances, product design teams will be forced to review the stipulations to ensure client interests have been considered – and the products meet a fair and ethical standard.

But has the new Consumer Duty gone far enough when it comes to improving firms' approach to inclusive, ethical design? Not according to Martin Coppack, Director, Fair By Design. Fair By Design combines a venture fund with a policy-influencing campaign dedicated to collaborating with regulators, governments and businesses to design out the poverty premium – the extra costs people on lower incomes pay for products and services.

“We’re supportive of the new Consumer Duty and the aspects included around fair value that can help with inclusive design,” says Coppack. “But it ignores income levels. Firms, including banks, tend to shy away from the poverty premium in terms of inclusive design. And at the end of the day, the new Duty stipulates no requirement for firms to serve people who are less profitable.”

“I think many of the outcomes will depend on how effectively the Consumer Duty will drive inclusivity and, crucially, how that is supervised and enforced. But when it comes to designing out the poverty premium – we can’t see the regulation tackling it yet.”

Deception by design?

From ‘dark patterns’ to sloppy UX, there’s a whole range of problematic design features found in financial products and services that hover around (or just over) the ethical line. What are some of the most common behavioural tricks in financial products – and, more to the point, are firms being deliberately misleading?

In 2022, the US’s Federal Trade Commission published a report examining dark patterns – a term describing design features typically used to manipulate customers into behaviours that might be beneficial for the organisation but harmful to the user.

The report identified four major types of dark patterns including design elements that induce false beliefs, such as misleading claims or adverts disguised as editorial content; elements that hide vital information, such as concealing terms and conditions or drip pricing; and those that lead to unauthorised charges, such as deceptive add-on charges or obscured fees.

When FIs miss-sell products, whether through design decisions or unfair sales tactics, then damaging situations can occur – such as the UK’s Payment

Protection Insurance (PPI) scandal, which ran from the early 1990s to 2010. PPI compensation has been estimated to have cost the banking industry approximately £8bn. And while this event is an outlier in terms of scale, the costly outcome of events such as these suggest there are significant benefits for the industry (as well as consumers) to implement clean, fair design principles into every financial product.

Peter Ramsey is the founder of Built for Mars, a team of UX and product design experts aiming to help customers build better product experiences. The organisation conducts in depth UX audits for companies globally, including their extensive UX of Banking audit that compared UX product design across 12 UK banks.

“The bank study has taken place over three years. I spent six months benchmarking everything and then revisited each issue to see what progress had been made,” says Ramsey. “From the outside, I would have said that lots of these organisations were intentionally misleading customers. But now that I’ve got to know them, I don’t think that’s true.”

“I think there are smart people struggling in corporations that can struggle to innovate. You need the right people in the right teams, who are actually prepared to make changes. I don’t think they’re trying to intentionally hide fees, for example. I think, with most banks, it’s more often the case that one day, a developer wrote a sentence that went live, and no one has ever changed it.”

Adopting inclusive design principles

So, if, for the most part, ethical product design is failing as a result of a struggle to innovate – rather than an attempt at deception – what can banks and other FIs do to improve their approach to inclusive design? And what are they already implementing effectively?

“We start by building the overall concept strategy. That includes answering questions about the overall objective, the target audience and what we want both consumers and the bank to achieve,” explains Maxine Pritchard, Head of Financial Inclusion and Vulnerability, HSBC UK. “That goes through an approval process, before moving into design.”

“We have developed an information hub with links to learning on vulnerabilities and signposting organisations with information about vulnerabilities and product design. We also provide a toolkit built around the potential harms caused if inclusive design isn’t considered properly,” says Pritchard.

“Learning and training around vulnerability isn’t just for our frontline staff – everybody across the organisation needs to have the same understanding, whether they are designing a product or chairing a governance committee”.

The Chartered Banker Institute provides learning for bankers looking to further their understanding of ethical practice.

“Through all our learning, we aim to ensure that, whatever their role, for whatever firm they work for and wherever in the world they work, all our members aim to ‘do the right thing,’” says Lynn McLeod, Head of Learning and Assessment, Chartered Banker Institute. “By achieving and retaining their professional membership of the Institute, they have made a personal commitment to responsible and ethical banking.”

Fair By Design, in partnership with the Money Advice Trust, has published a guide for firms and suppliers titled *Inclusive Design in Essential Services*, which suggests some recommendations for firms looking to translate regulator guidance into practical action. The report recommends product design teams stop designing for an imagined ‘average user’, and instead design with peoples’ additional needs first in mind. The firm has also just released a new report with energy regulator Ofgem. It shows how inclusive design was used to include people with lived experience of poverty within policy development and decision-making, to deliver a market that works for all consumers.

Coppack says: “To ensure the creation of products and services that are as inclusive as possible, it’s often about mixing lots of people into the process: people with different abilities, different attitudes and different incomes – so their different needs are taken on board from the get-go.”

Other suggestions include investing into earlier development stages and offering adaptations if one solution doesn’t fit all.

“Conflicting needs can be really challenging,” continues Pritchard. “For one person, a particular format might be necessary – the opposite might be true for someone else.”

Scale can also pose a challenge, particularly when it comes to mobile banking applications, according to Ramsey. “When I first did the audit, I got a call from a big legacy bank. They were grateful for the audit because they struggled to really understand what their on-the-ground product looks like. And that is part of the problem,” he says.

“If you’re running the product team of a big bank, you don’t know what the 30 versions of your app look like – because, for example, they’re not a Spanish user using the system abroad. How does a company manage what all the versions of their products look like? It’s actually a difficult challenge.”

Despite these challenges, there are significant changes afoot regarding ethical and inclusive product design. Some successful examples of inclusive design

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Maxine Pritchard

**Head of Financial Inclusion and Vulnerability,
HSBC UK**

include HSBC UK’s accessible debit cards, gender-neutral banking services, and ‘No Fixed Address’ bank accounts.

“When it came to the ‘No Fixed Address’ account, that was a very specific problem for a very specific group of people. Therefore, the design had to be bespoke to that cohort,” explains Pritchard. “But with our accessible debit cards, that was really a case of working with various teams to look at building inclusion into the designs right from the very start.”

An inclusivity imperative

Whether the new Consumer Duty goes far enough in terms of inclusivity-focused regulation remains to be seen. But, regardless, it seems clear that banks and FIs can’t shy away from implementing inclusive design principles. Alongside the ethical imperative, the sheer number of vulnerable or potentially vulnerable customers cannot be ignored.

“It is crazy to me that banks would be ignoring the inclusivity part of product design,” says Ramsey. “Why would they bother creating a version of their app if it doesn’t cater to people who are colour blind? They are just turning away customers for the sake of what is quite an easy change. There’s obviously a moral reason to do it, but there’s a really clear business case too.”

Pritchard adds: “I think there’s been useful guidance and framing from the regulator, but I don’t think we should need a regulator to tell us that our products have to be usable. That is absolutely our responsibility.

“It’s not always easy to find the perfect solution. But there is definitely a very strong desire to do the right thing.”

To find out more about ethics and responsible banking, enrol in one of the Chartered Banker Institute’s qualifications, including the Certificate in Professionalism and Ethics and the Certificate in Green and Sustainable Finance.

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