

## The Chartered Banker Institute Feedback to FCA GC 19/30 on Proposed Guidance for the Fair Treatment of Vulnerable Customers

We welcome this opportunity to provide input into these proposed Guidance notes for firms.

Our Institute is focused on raising and sustaining professionalism across the financial services sector and in promoting to our members, and others, the very highest standards of knowledge, skill, integrity, trust and behaviour. We are therefore supportive of these efforts to improve outcomes for all consumers through the regulatory regime.

Below, we comment only on those aspects of the planned review, which fall within the Institute's expertise and on which we are expected by our members to comment.

For more information about our ongoing work, please see [Annex 1](#).

### General Comments

We commend the FCA on developing this Guidance. However, given that we await the next steps in the discussion on a Duty of Care very soon, we would have preferred to view this Guidance alongside any proposals in that regard. Nevertheless, we agree with the focus of the Guidance, and are particularly interested to see how firms will encourage adaptability amongst staff. As we have said in our previous responses on culture and duty of care, firms are not sentient beings. It will be the people, and not necessarily those at the top who will make the greatest impact. We have been finding through our work, which is contributing to the FCA's Purpose in Financial Services, that there is a growing concern that the squeezed middle within organisations is the weak point preventing transformative cultural change. That said, we are pleased to see the importance placed within the Guidance on knowledge and skills, and how investment in developing these need not be onerous and can foster a positive culture of understanding, flexibility and adaptability amongst staff. For our part, our education programmes, such as the revised Professional Banker Certificate, promote responsible banking. We would argue that individuals who have made a personal commitment to the highest standards of conduct, through our membership Codes are well placed to use their skills and knowledge in a flexible and adaptable way, which understands and meets the needs of customers. We ensure that fair treatment is built into all our programmes and not just those tailored to client facing roles.

The work of professional bodies to enhance and sustain professionalism in the sector generally and our work on codes of conduct, such as our Chartered Banker Code, together with education and development programmes such as the Professional Banker Certificate specifically support many of the other industry initiatives mentioned in your paper and form part of the wider effort to embed a culture of responsible, sustainable banking.

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## Specific Responses:

### Q1: Do you have any comments on the aims of the draft Guidance?

We find the Guidance commendable and well-intended. However, its timing is at odds with the further steps from the discussion on a duty of care which is interlinked.

The paper references the policy/practice gap [paragraph 40] and we would have liked to have seen more made of this. For example, further notes to nudge boards to not only set policy but to monitor and measure it, particularly at middle management level. As noted above, our steering work on Purpose in Retail Banking has indicated that too little attention has been given to the training needs of middle management where it is evident that the conflict between policy and practice is first established. A strong steer from the regulator would be welcomed.

### Q2: Do you have any comments on the application of the Guidance or its status as non-Handbook guidance?

We believe that the Guidance does help in clarifying expectations and this is a pragmatic approach that should lead towards improved consumer outcomes, from firms. As we have noted during the discussions on the Duty of Care, of significance is how the FCA, as a regulator, responds in cases where firms are found to be wanting in terms of adoption and implementation.

For our part, we can ensure that our members, as professionals in the banking sector, are aware of the Guidance and understand what this means in the context of our own Code of Conduct. Our programmes are designed to ensure members have the knowledge and skills to act with integrity and responsibility.

### Q3: Do you have any comments on the distinction between actual and potential vulnerability (Annex 1, Section 1)? (Please note we are not seeking views on the meaning of vulnerable consumer because we have consulted on that previously.)

No comments to add.

### Q4: Do you have any comments on our view of what firms should do to understand the needs of vulnerable consumers (Annex 1, Section 2)?

### Q5: Do you have any comments on our view of what firms should do to ensure staff have the necessary skills and capabilities when engaging with vulnerable consumers (Annex 1, Section 3)?

We respond to Q4 and 5 together. The Guidance and the selected case studies clearly show that a few simple steps can go a long way in improving understanding. With fewer opportunities for face to face interactions between customers and their providers, and indeed greater use and preferences either side of the service relationship for a digital solution, the customer must not be seen as a data point. The Guidance could explicitly remind readers that these are real people with real lives.

Furthermore, we note the comments made in a recent speech by Debbie Gupta, Director, Life Insurance and Financial Advice at the FCA, in which she expresses another fact in financial services: that there is almost always, and not uniquely in the case of vulnerable customers, but most certainly increased by such circumstances, an asymmetry of information. The Guidance might usefully make the point made in that speech that:

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*"Challenging misconceptions and client education is core to good advice. It is valuable. You are the experts. You will always know more than your client. And we expect your expertise to support your clients in this way. It is what we expect of the services you are paid to provide."<sup>1</sup>*

We strongly agree with the view that firms need to encourage and support greater flexibility and adaptivity amongst staff. We would argue that having the knowledge, skills and behaviours to do so are clear indicators of a profession, and we would encourage use of terms such as 'acting responsibly and professionally' within the Guidance.

**Q6: Do you have any comments on our view of what firms should do to translate their understanding of the needs of vulnerable consumers into practical action on product and service design, good customer service and communications (Annex 1, Section 4)?**

Commenting on the build into product design and service, with specific reference to feedback received during our work on Purpose in Retail Banking, we would observe that if designed and built with the needs of the vulnerable in mind, the resulting products and services should work for all customers.

**Q7: Do you have any other comments on the draft Guidance?**

Although mentioned, perhaps there more direction is required for firms and their staff in addressing the specific issue of those individuals that, for whatever reason[s], do not see themselves, or wish to self-identify as vulnerable.

**Q8: Do you have any comments on how firms are expected to use and apply the Guidance?**

We would only comment that it could be made clearer that all staff would benefit from reading the Guidance to ensure a consistent understanding across the sector. To this end, the FCA may wish to consider how it conveys who should read this, even considering producing a specific copy for firms to make available to staff. We would certainly welcome and disseminate any finalised Guidance booklet to our members.

**Q9: Do you have any views on the extent to which the Guidance will enable firms to comply with their obligations under the Principles and achieve better outcomes for vulnerable consumers?**

There are some aspects of the work to improve the treatment of vulnerable customers which may go behind the regulatory perimeter and we believe there will be more to follow of value to the Guidance from the output of the FCA work on Purpose in Financial Services.

An example of this, is the issue of access to cash. The findings of the recent Which/Link study 2019<sup>2</sup>, found that deprived neighbourhoods saw a net conversion of 979 Free-to-use machines to pay-to-use

<sup>1</sup> 'Improving the suitability of financial advice' – speech by Debbie Gupta 19<sup>th</sup> September 2019: <https://www.fca.org.uk/news/speeches/improving-suitability-financial-advice>

<sup>2</sup> 'Deprived of Cash' – Study by Which?/Link 2019 <https://press.which.co.uk/whichpressreleases/deprived-of-cash-poorer-areas-worst-hit-by-rapid-move-to-fee-charging-cashpoints/>

machines, almost 5.7% of the network in these areas. This compares with a net conversion of 223 in the least deprived neighbourhoods or 3.9% of the network in these areas.

Clearly, the impact hits hardest on various groups of individuals in vulnerable circumstances; free access to cash becoming harder in communities where it is most used and easiest where individuals are perhaps just as at ease with other channels, including digital ones. Firms are under increasing burdens; regulatory, costs of protecting customers, servicing different channels etc. It would take clear government policy to address this, but the Guidance could perhaps hit harder and more explicitly on the topic of access to cash.

There is also a challenge about having honest and meaningful conversations with customers, often prevented by individual members of staff being worried that they might stray into giving big 'A' advice [regulated] when aiming to offer help and assistance or small 'a' advice.

**Q10: To inform our cost-benefit analysis, do you have any comments on what costs firms may incur as a result of this Guidance?**

We would advise that the programmes to support responsible and sustainable professionalism in the sector are not offered at a prohibitive cost. For example, to qualify as a member through our Professional Banker programme, which not only develops the core skills required of a modern banker but emphasises the fair treatment of all customers. Combined, these help create knowledgeable, adaptable professionals who take a pride in their work. Professional bodies have at their core a duty to society and our independent verification means that even where training has been developed in-house, there is a level of scrutiny which can assess whether the training actually delivers on the intended outcomes. The Guidance could justifiably suggest in terms of best practice that firms discuss relevant, cost effective training solutions with their professional body.

**Q11: Do you have any examples of activities or processes that are in place, or could be established, to ensure the fair treatment of vulnerable consumers?**

We have no examples at present to share.

**Q12: Do you have any analysis you could share with us of the positive outcomes for vulnerable customers resulting from the implementation of activities or processes in place aimed at achieving better outcomes for vulnerable consumers?**

We have no analysis at present to share.

**Q13: Do you have any comments on the role of the Guidance in holding firms to account about how they comply with their obligations under the Principles in treating vulnerable consumers fairly?**

We have mentioned in previous responses focused on conduct and culture that it would help greatly if professional bodies could be remembered when considering poor behaviour that may not actually be a breach. Our codes of conduct generally ask individual members to maintain standards that mirror and exceed those expected under the Principles and Conduct Rules. Our Code is reinforced through initial and continuing professional development, so members learn how to implement the Principles in their

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day to day work. In this way we can investigate poor conduct at the individual level and act to prevent serious harm.

**Q14: Do you have any comments on our intention to monitor the effectiveness of the Guidance?**

The point which has been raised consistently through our work on Purpose in the sector is that what gets measured gets done. FCA supervisors should consider asking not only has there been training, but the extent of that training. For example: what percentage of staff did this reach; what percentage of the training budget; how many hours per individual? Even being aware that these questions might be asked during the monitoring / supervisory process might ensure action on the part of even the most reluctant firms.

We might also usefully signpost that a number of UK banks have recently signed up to the UN Principles for Responsible Banking. Whilst these have a significant focus on addressing climate change, there are specific measures in terms of responsibilities to clients and customers, as well as a focus on governance and culture.<sup>3</sup> It should be noted that there are similar UN Principles already in place for insurance and investment.

**Q15: Do you have any comments on the potential additional policy options?**

We have, in the course of the discussion on a Duty of Care, supported the idea of a consolidated single document which outlined the applicable rules. It is our view that this could lift the applicable regimes out of the compliance net and have more success in reaching the individuals to whom they apply, whilst leaving less room for misinterpretation or over-simplification. We also feel that this would also benefit customers, and could be a step towards bridging the gap in the language used by technocrats/compliance experts, the individuals under the regime and their customers.

**Q16: Should we consider any further additional policy options?**

We have no policy suggestions to make.

**Q17: Do you agree that proposing to issue guidance is the most effective means of achieving our aim at this stage?**

We would agree that, at this point, issuing guidance seems the most pragmatic way to approach this area. The provision of case studies of good and poor practice is helpful, and these should be regularly adapted and added to as, and when monitoring reveals further examples.

**Q18: What are your views on whether proposing new rules or guidance at this stage would add to the effectiveness of our intervention? Where possible, please provide supporting evidence for your answer.**

We are supportive of a non-prescriptive approach that is limited in scope but has room for firms to apply in ways appropriate to their organisation. We also appreciate that the best way to begin influencing a change is to start it. However, we again note our concern that this comes ahead of the next stage of discussions, with regard to a Duty of Care, and in advance of the discussion of Purpose in the sector; both of which we believe might provide further useful lessons and suggestions that might improve this Guidance and its impact. The drip feed of related regulatory initiatives can frustrate those firms who are genuinely taking these issues seriously and want to implement change – something our members have referred to as regulation or compliance fatigue.

<sup>3</sup> UN Principles for Responsible Banking: <https://www.unepfi.org/banking/bankingprinciples/>

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## Annex 1

### Chartered Banker Institute: Overview

**THE ONLY INSTITUTE TO AWARD CHARTERED BANKER STATUS**

**WORKING WITH MORE THAN 100 BANKS WORLDWIDE**

**1 CODE OF PROFESSIONAL CONDUCT FOR ALL MEMBERS**

**ONLINE CPD RESOURCES ON OVER 60 TOPICS FROM LEADERSHIP TO CUSTOMER SERVICE**

**MEMBERS FROM 87 COUNTRIES ACROSS 6 CONTINENTS**

**OVER 32,000 MEMBERS**

**82% WOULD RECOMMEND THE COMPLETION OF A QUALIFICATION TO OTHERS**

**THE FUTURE OF BANKING**

**SUPPORTED 177,589 BANKERS TO ACHIEVE THE FOUNDATION STANDARD GLOBALLY**

**4 ACCELERATED ROUTES TO CHARTERED STATUS FOR SENIOR/EXPERIENCED BANKERS**

**14 UNIVERSITY PARTNERS DELIVERING ACCREDITED QUALIFICATIONS**

**OVER 500 CPD RESOURCES FOR MEMBERS ON ETHICS, CULTURE AND CONDUCT**

**UK WIDE NETWORKING EVENTS AVAILABLE TO MEMBERS**

### Institute Background

1. The Chartered Banker Institute is the world's oldest and largest professional body for bankers in the UK, with over 30,000 members. Founded in 1875 and established by Royal Charter, our aim is to enhance and sustain professionalism in banking that responsible and sustainable banking is built on.
2. In 2011, we established the Chartered Banker Professional Standards Board (CB: PSB), in collaboration with industry, to develop and embed professional standards for bankers. The CB:PSB was the first collective response to raising professional standards after the Financial Crisis in 2008, and that it in many ways pre-empted the focus on these issues from 2012 onwards. Over 163,000 individual bankers, achieved the Foundation Standard in 2018.
3. Our work also supports the work of regulators and banks to enhance and sustain a culture of customer-focused, ethical professionalism in banking. We are committed to promoting professional standards for bankers, providing professional qualifications for retail, commercial and private bankers in the UK and overseas and offer professional membership to qualified bankers. We are the only professional body in the world able to confer the status of Chartered Banker to suitably qualified individuals.
4. As evidence of our growing influence with regulators and policy makers, in 2018 the Institute's CEO Simon Thompson was invited to join HM Treasury's Financial Services Skills Taskforce. And in 2019, the Institute has been invited to support the FCA's Roundtable programme investigating purpose in the financial services sector. Our CEO has been asked to Chair a Working Group into the "purpose of retail banking", which will report back to the main grouping in late 2019.

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5. We support numerous routes in helping individuals achieve professional qualifications and professional membership to ensure bankers at each stage of their career, develop and sustain the skills and knowledge required of a modern, reflective practitioner. Our professional qualifications are recognised globally, and we provide approved regulatory qualifications. We also work with others, including many major banks, to accredit internal training and development programmes aligned to the Institute's professional and qualifications standards.
6. Internationally, the Institute's impact and influence is growing, with partnerships with professional bodies in Australia, the Bahamas, Hong Kong, India, Ireland, Malaysia, Malta, New Zealand and Pakistan. We are now proud to have both student and professionally qualified members in 87 countries across the globe, all of whom share a commitment to the Chartered Banker Code of Professional Conduct.
7. In 2017, we formed the Chartered Body Alliance (ourselves along with the Chartered Institute for Securities and Investments (CISI) and the Chartered Insurance Institute (CII), with a joint membership of almost 200,000, representing an important development in the re-professionalisation of individuals working across all financial services. The purpose of this Alliance is for the member bodies to work together to promote increased professionalism in financial services, for the public good, and to provide a united voice on standards for financial services.
8. In 1989, the Institute established the *Young Banker of the Year* competition, and this continues to be the highlight of the Institute's annual event calendar. The competition seeks to highlight the contribution of one individual with the potential to lead positive, customer-focused change, as judged by a distinguished panel of industry figures, chaired by the Lord Mayor of London, and plays an important role in promoting a revitalised banking profession by recognising the qualities of young bankers, who through their ideas and actions can help to improve the reputation of the industry.
9. The Institute takes its role in supporting the transition to a more sustainable and socially just world very seriously, and in 2019 was very proud to become one of the UK's first supporters of the UNEP FI's Principles for Responsible Banking [PRB].
10. See [www.charteredbanker.com](http://www.charteredbanker.com) for more information on the Institute and its activities.

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