

ADD Capital Finance Ltd T/A ADD Property Finance Vulnerable Customer Policy

CONTENTS

Section	Title
1	Introduction
2	Definition of Vulnerable
3	Identification of Clients in Vulnerable Circumstances
4	Vulnerable Disclosure
5	Summary of Actions

1. Introduction

The aim of this policy is to outline the practice and procedures for staff in ADD Property Finance contribute to the prevention of detriment to clients who find themselves in vulnerable circumstances.

Much of the consumer protection legislation is underpinned by the notion of the 'average' or 'typical' consumer, and what that typical consumer might expect, understand or how they might behave. However, consumers in vulnerable circumstances may be significantly less able to represent their own interests, and more likely to suffer harm than the average consumer. ADD Property Finance need to ensure these consumers are adequately protected.

2. Definition of Vulnerable

The Financial Conduct Authority (FCA) define vulnerable consumers as:

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

(Financial Conduct Authority Chapter 1: FG21/1 Guidance for firms on the fair treatment of vulnerable customers – published February 2021)

Vulnerability can come in a range of guises, and can be temporary, sporadic, or permanent in nature. It is a fluid state that that needs flexible and tailored responses. Many People in vulnerable situations would not diagnose themselves as 'vulnerable'.

Customers who might be considered as being in vulnerable circumstances could include:

1. Customers with mental capacity deficiencies (including language or communication)
2. Customers who are not financially sophisticated in their understanding
3. Customers with low incomes
4. Customers who are already in financial difficulty

3. Identification of Vulnerability

The identification of a vulnerability can be hard to spot, it may not be as simple as a customer's verbalising or physically showing signs. It can be within subtleties of body language or what is not being disclosed. Vulnerability should be seen as a spectrum of risk; it falls to each individual within ADD Property Finance to remain vigilant and aware at all times of the possibility of their customer being in a vulnerable circumstance. All customers are at risk of becoming vulnerable and this risk is increased by characteristics of vulnerability related to 4 key drivers:

1. **Health** – *healthy conditions or illnesses that affect ability to carry out day-to-day tasks*
2. **Life Events** – *life events such as bereavement, job loss or relationship breakdown*
3. **Resilience** – *low ability to withstand financial or emotional shocks*
4. **Capability** – *low knowledge of financial matters or low confidence in managing money; low capability in other relevant areas such as literacy or digital skills*

Below is for example only and is non-exhaustive:

Mental capacity limitations: Any customer who has a mental capacity limitation must be treated with extra care. This does not mean that ADD Property Finance cannot continue to conduct business, simply the methods taken must change to ensure the customer's capacity does not impede their understanding and decision-making skills.

Understanding their financial market: Customers may display clear signs of not understanding, this could be asking to repeat a statement numerous times, simply agreeing without seeming to question, or lacking the ability to make sound judgements based on the information provided.

Customers with low incomes: Customers with a low income may be more susceptible to accepting any deal offered to them, rather than searching the market. Lower income families may be searching for a form of credit to supplement their salaries.

Financial difficulty: Customers that are already in debt for amounts which they cannot afford to comfortably repay when they fall due. This could be subject to additional issues and medical conditions.

4. Vulnerable Disclosure

TEXAS, IDEA and CARERS drills

The Royal College of Psychiatrists and Money Advice Trust have developed three protocols which are practical tools to assist staff in dealing with conversations around vulnerability.

TEXAS drill

The TEXAS protocol can help all frontline staff manage disclosures effectively which is a key part of creating an organisation where customers are confident to disclose. It can be used as a training tool for managing initial conversations.

T – thank the customer

E – explain how their information will be used

X – explicit consent to the use of their data

A – ask three key questions

1. Does your mental health problem make it difficult to repay your finance, If so, how?
2. Does your mental health problem affect your ability to deal or communicate with us? If so, how?
3. Does anyone need to help you manage your finances such as a carer or relative? If so, how?

S – signpost to internal or external help, where this is appropriate

IDEA

The IDEA protocol can be used by specialist staff to help structure and manage more in depth conversations ask the right questions and identify relevant information.

Impact – staff should ask what it is that the mental health problem either stops the customer doing (in relation to their financial situation), or what it makes harder for them to do. This will help provide insight into both the severity of the condition, and its consequences.

Duration – staff should discuss how long the customer has been living with the reported mental health problem, as the duration of different conditions will vary. This can inform decisions about the amount of time someone needs to be given to retake control of their situation.

Episodes – some people will experience more than one episode of poor mental health in their lives. You will need to take such fluctuating conditions into consideration and assess what impact this has on a customer's decision making.

Assistance – You should consider whether the customer has been able to get any care, help, support or treatment for their condition. This may help in relation to collecting medical evidence.

Throughout, creditors should keep in mind not only the commercial outcomes they wish to achieve, but also the steps that would bring about better customer outcomes for their health and financial wellbeing.

CARERS

This drill was developed to assist with handling disclosures from carers to ensure that helpful information is not lost due to staff concerns about data protection.

Check for authority

- If the carer can supply evidence of their authority to act on the customer's behalf, a more detailed discussion can be arranged once this is received
- If the carer cannot supply this evidence, or needs to share information about the customer now, the following steps should be taken:
 1. Avoid discussing any account details, making sure to explain to the carer why this isn't possible.
 2. Reassure the carer that their concerns can be recorded as observations (unverified) on the customer's account, and these can be considered.
 3. Explain to the carer that their observations will need to be shared with the customer, colleagues, and potentially any clients. Carers will need to give their consent for this.
 4. Record the carer's observations, listening carefully, and ensuring:
 - You have checked why the customer is unable to speak directly with the creditor about these issues (is there, for example, a communication issue?)
 - You are clear how the customer's mental health problem affects their ability to repay
 - You have confirmed with the carer what information has been recorded, and how long these unverified observations will be held on file while they are being checked.
 5. Summarise the available next steps, which might include:
 - You (or a colleague) speaking with the customer concerned to establish if there is a problem, including checking the unverified observations made by the carer
 - The carer discussing with the customer a potential mandate to act on their behalf
 - The carer and customer working together to collect supporting medical evidence.

5. Summary of Actions

Understanding Customers' Needs

- Understand the nature and scale of characteristics of vulnerability that exist in their target market and customer base
- Understand the impact of vulnerability on the needs of consumers in their target market and customer base, by asking themselves what types of harm or disadvantage their customers may be vulnerable to, and how this might affect the consumer experience and outcomes

Skills and Capability

- Embed the fair treatment of vulnerable consumers across the workforce. All relevant staff should understand how their role affects the fair treatment of vulnerable consumers
- Ensure frontline staff have the necessary skills and capability to recognise and respond to a range of characteristics of vulnerability
- Offer practical and emotional support to frontline staff dealing with vulnerable consumers

Product and Service Design

- Consider the potential positive and negative impacts of a product or service on vulnerable consumers. Design products and services to avoid potential harmful impacts
- The vulnerable consumers into account at all stages of the product and service design process, including idea generation, development, testing, launching and review, to ensure products and services meet their needs

Customer Service

- Set up systems and processes in a way that will support and enable vulnerable consumers to disclose their needs. Firms should be able to spot signs of vulnerability
- Deliver appropriate customer service that responds flexibly to the needs of vulnerable consumers
- Make consumers aware of support available to them, including relevant options for third party representation and specialist support services
- Put in place systems and processes that support the delivery of good customer service, including systems to note and retrieve information about a customer's needs

Communications

- Ensure all communications and information about products and services are understandable for consumers in their target market and customer base
- Consider how they communicate with vulnerable consumers, taking into consideration their needs. Where possible they should offer multiple channels so vulnerable consumers have a choice

Monitoring and Evaluation

- Implement appropriate processes to evaluate where they have not met the needs of vulnerable consumers, so that they can make improvements
- Produce and regularly review management information, appropriate to the nature of their business on the outcomes they are delivering for vulnerable consumers