

Customers Requiring Additional Support

Introduction

Over the past year, there have been a wide range of developments increasing consumer risk in the form of inflation, increasing interest rates and cost of living altering the landscape for both firms and consumers. These changes require firms to be agile and efficient in order to adapt to emerging risks. The Central Bank of Ireland (“CBI”) has published a number of reports that evaluate the main risks facing both the global and domestic financial systems and assess financial systems’ resilience to those risks. Throughout the changing risk landscape, firms must consider those consumers who are most impacted by these changes and require additional support.

Drivers of Financial Instability

Inflation

Global inflation has experienced a slight decrease in 2023. This decrease has not had a material impact on consumers as the inflationary pressure remains prevalent in everyday life posing risks to consumers. Domestically businesses who had difficulty during the pandemic are showing signs of vulnerability through modest increases in early arrears on loans and in the insolvency rate.

Interest Rates

A prolonged period of high interest rates has escalated financial instability globally and put pressure on consumers’ repayment capacity. Domestically, on foot of increased interest rates, early indicators of repayment challenges are apparent for mortgage holders, particularly those with previous repayment challenges. According to the CBI’s November 2023 Financial Stability Review, the share of tracker mortgages beginning to miss more than one payment over a six-month period has increased from 0.4 per cent in the first half of 2022 to 1.0 per cent in the first half of 2023.

Vulnerability

In recent publications, the CBI has emphasised the importance for firms’ culture, policies and frameworks to support customers who require additional support due to their personal circumstances.

In the March 2024 CPC Consultation Paper, the CBI has opted to update its current categorisation of vulnerability. The new proposals reflect the dynamic nature of vulnerability, which recognises that customers can move in and out of circumstances that make them vulnerable. Now more than ever is the time for financial services companies to focus their efforts on identifying circumstances that give rise to vulnerability and assisting vulnerable customers.

Customers in vulnerable circumstances face a higher risk of experiencing excessive debt, falling victim to scams and entering arrears. The CBI has stated that vulnerability can be described as a spectrum of risk rather than a static state with consumers moving in and out of different areas of vulnerability. This requires firms to adopt a dynamic vulnerability framework to sufficiently cater to their consumers’ needs

In order to appropriately incorporate vulnerability into firms’ culture and policies, the CBI notes that

firms should act to secure the interest of consumers in vulnerable circumstances. In order to achieve this, the CBI have proposed that:

- Firms are to sufficiently train staff on vulnerability issues. Firms should have clear procedures for their employees to report concerns that a customer is the victim, or is at risk of being the victim, of financial abuse or a fraud or scam.
- Firms should detail, with customer consent, the circumstances of vulnerability so the firm can respond appropriately at every engagement.
- Firms are to facilitate customers who wish to appoint a trusted contact that the firm can contact where there may be difficulty in communicating with a customer.
- Firm must also comply with the Assisted Decision-Making Act 2023 if firms have concerns over the decision making capacity of a customer in order to effectively assist the customer in vulnerable circumstances.

For more information on the March 2024 CPC Consultation Paper KPMG will be issuing a further article on the paper’s contents and how it will impact financial services firms as well as customers.

KPMG's Vulnerable Customer Framework

Firms should evaluate their definition of vulnerability to assess if it is robust enough to meet CBI expectations. With vulnerabilities not always apparent, firms should equip all employees with sufficient training to enable them to identify a customer in vulnerable circumstances. Behavioural analysis and monitoring need to be undertaken to assess the potential vulnerability and establish a bespoke course of action. KPMG's Vulnerable Customer Framework provides a comprehensive and dynamic approach to identify, engage with and support customers in vulnerable circumstances.



01.

Strategy and Policy

- Is there a detailed and embedded vulnerable customer policy in place?
- Is the vulnerable customer strategy and policy assessed and evaluated on a regular basis?
- Does vulnerability form part of your product / service design?
- Are risk and control assessments ("RCAs") undertaken regularly to identify potential risks for vulnerable customers and are control gaps identified and addressed?

04.

Handling Vulnerable Customers

- Is there a clear point of contact for vulnerable customers with a support team in place to provide guidance or advice?
- Are communications tailored to those in vulnerable circumstances?
- Is the information conveyed in a clear and concise manner to account for customers who have not disclosed their vulnerability?

02.

Recording Vulnerability

- Does your firm keep sufficient records regarding the nature of customer vulnerability?
- Does your recording allow for periodic reviews of vulnerable customers taking into account dynamic vulnerabilities?
- Is a risk score used for vulnerabilities to support treatment strategies?

05.

Training

- Are staff routinely trained on the vulnerable customer policy and strategy?
- Does the training include how to identify a customer in vulnerable circumstances even when it is not disclosed?
- Do staff view vulnerability as an ever changing spectrum that requires regular monitoring?

03.

Management Information

- Does your data show which products / processes impact vulnerable customers?
- Are management information ("MI") metrics aligned to your RCA and risk scores?
- Is the MI provided to Senior Management to show a holistic customer view to allow them to assess the overall impact of the vulnerability strategy and to take proactive steps where necessary?

06.

Digitalisation

- How is your firm supporting consumers who are digitally disadvantaged?
- Is the information on your website clear enough for all customers to understand?
- Are customers made aware of online fraud and scams and does your firm have a treatment strategy in place if it occurs?

How can KPMG help?

KPMG provides risk and regulatory advice, proposition design, operational risk and control optimisation services across the financial services sector.

We have a clear understanding of industry standards for consumer protection, rooted in our first-hand experience of working alongside industry peers and regulators on such matters over the last 15 years. We can help ensure you have an appropriate Vulnerable Customer Framework in place so that you are both identifying vulnerable customers and ensuring good customer outcomes once identified

Examples of where KPMG can assist include:

- We can identify a suitable owner for your vulnerability programme including the design of an appropriate governance framework;
- We can develop end-to-end customer journey mapping, identifying vulnerable customer touchpoints and designing appropriate controls to reduce the risk of customers receiving poor outcomes;
- We can review your risk assessment framework and the impact it has on your customer base;
- We can develop a customer treatment policy for all categories of vulnerability; and
- We can design a reporting framework with quantitative and qualitative MI, to demonstrate trends as well as the characteristics of vulnerability and potential vulnerability.

Contact us



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