



Vulnerable Customer Policy and Procedure

V1.1 April 2024



S K Asset Finance Limited is authorised and regulated by the Financial Conduct Authority (FCA) Company no.671024

S K Asset Finance Ltd is registered in Scotland. Company Registration no. SC234397

Registered Office - 64 Strathern Road, Broughty Ferry, Dundee, DD5 1PH

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1. Introduction

The scale of vulnerability in the UK is significant and the financial impact of decisions can be life changing. Poor decisions can have long-term effects and the complex nature of financial services may negatively impact vulnerable customers. The aim of this policy is to outline the practice and procedures for staff in [insert firm name] to contribute to the prevention of detriment to clients who find themselves in vulnerable circumstances.

Where appropriate, this policy should be reviewed alongside the firms Treating Customers Fairly policy.

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. S K Asset Finance Ltd follow recognised guidelines relating to our duty of care to, and fair treatment of, people who may, due to their personal circumstances, be characterised as ‘vulnerable’. Vulnerable adults may be more likely to experience financial exclusion; difficulty in accessing services; scams; over-indebtedness; exposure to mis-selling; purchasing inappropriate products or services and disengagement with the market. A change in circumstance could mean any customer can become vulnerable at any time, starting a domino effect throughout a customer’s business and personal life.

When developing products, services, or communications the firm adheres to the FCA principles of business below.

Principle	Definition
1 - Integrity	A firm must conduct its business with integrity
2 – Skill, care, and diligence	A firm must conduct its business with due skill, care, and diligence.
3 – Management and control	A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
4 – Financial prudence	A firm must maintain adequate financial resources.
5 – Market conduct	A firm must observe proper standards of market conduct.



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6 – Customers’ interests	A firm must pay due regard to the interests of its customers and treat them fairly.
7 – Communications with clients	A firm must pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading.
8 – Conflicts of interest	A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.
9 – Customers: relationships of trust	A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.
10 – Clients’ assets	A firm must arrange adequate protection for clients' assets when it is responsible for them.
11 – Relations with regulators	A firm must deal with its regulators in an open and cooperative way and must disclose to the FCA appropriately anything relating to the firm of which that regulator would reasonably expect notice.
12 – Consumer Duty	A firm must act to deliver good outcomes for retail customers.

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 detriment, particularly when a firm is not acting with appropriate levels of care.”

(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



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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. Due to the size of S K Asset Finance Ltd, it falls to everyone to remain vigilant and aware at all times of the possibility of their customer being in a vulnerable circumstance.

The recognised drivers of vulnerability:

- health conditions or illnesses that affect the ability to carry out day to day tasks
- major life events such as bereavement or relationship breakdown
- low resilience to withstand financial or emotional shocks
- low knowledge of financial matters or low capability in managing money

The table below demonstrates how different situations fit into the 4 drivers of vulnerability:

Health	Life events	Resilience	Capability
Physical disability	Caring responsibilities	Low or erratic income	Low knowledge or confidence in managing financial matters
Severe or long-term illness	Bereavement	Over indebtedness	Poor literacy or numeracy skills
Hearing or visual impairments	Income shock	Low savings	Low English language skills
Poor mental health	Relationship breakdown	Low emotional resilience	Poor or non-existent digital skills
Low mental capacity or cognitive disabilities	Having non-standard requirements such as ex-offenders, care leavers, refugees, homeless	Lack of support structure, Duress, or undue influence	Learning impairments, Young or Elderly Customers



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Some customers will be **vulnerable** because of their personal circumstances. Vulnerability can be permanent but is often transient because customers' circumstances constantly change. This can cause customers who had not previously been vulnerable to become so at some stage of their life. A consumer who loses their partner, for example, may become vulnerable at that stage of life. Equally, a consumer may no longer be vulnerable because of a change in their circumstances, for example, a previously unemployed person who now has sufficient income to cover their outgoings.

Other customers may be **potentially vulnerable**. Although not currently vulnerable, they may be more susceptible than others, due to certain characteristics. i.e., someone with a history of stress-related illnesses. People with such characteristics may be more at risk of suffering harm due to poor market practices or poor treatment by a financial services provider. A customer with lower levels of financial capability may be more likely to buy a product that is not suitable to their needs leaving them worse off.

Mental capacity limitations: Any customer who has a mental capacity limitation must be treated with extra care. This does not mean that [Your company name here] 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.

Companies may use [the DMHEF Form Debt and Mental Health Evidence Form | Money Advice Trust](#) if consent to speak with a carer, for example, is required.

4. Vulnerable Disclosure

Where an applicant discloses information relating to their health, this would be considered as 'special category data' and consent from the applicant is required to record this information. For more information on 'special category data' please refer to the firm's Data Protection Policy.

Red Flags – How to identify a vulnerable customer

Often a customer will make reference to a health or life event that identifies their vulnerability; however, most vulnerabilities are hidden and can therefore be more difficult to recognise. It is vital



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that you are vigilant in listening and observing for any identifiers of vulnerability, known as 'Red Flags'. The below list provides examples of what a customer may say or do which should 'raise a flag' that they could be vulnerable:

- The customer asks unrelated questions or makes irrelevant points
- The customer consistently repeats themselves
- The customer says "yes" in response to each of your questions, when it's clear that they haven't kept up with the content of the conversation
- The customer doesn't talk much and takes a long time to answer your questions
- The customer becomes distressed during the contact
- The customer sounds flustered, indicating that they may have an illness
- The customer says things like "My partner dealt with all these things for me"

This is not an exhaustive list, just some examples of the things you should listen carefully for. If you pick up on one of these 'flags', you need to think carefully about what to do next.

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 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?



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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 well-being.

CARERS

This drill was developed to assist with handing 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 detail discussion can be arranged once this has been received
- If the carer cannot supply this evidence, or needs to share information about the customer now, the following steps should be taken:



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- **Avoid** discussing any account details, making sure to explain to the carer why this isn't possible.
- **Reassure** the carer that their concerns can be recorded as observations (unverified) on the customer's account, and these can be considered.
- **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.
- **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.
- **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.

The key to finding the right level of support for your customer is to **listen** to them, **understand** how their vulnerability effects them and show **flexibility** by adapting your usual process to meet their personal needs.

5. Communicating with vulnerable customers

The table below suggests some dos and don'ts when communicating with vulnerable customers:

Do	Don't
✓ Approach each situation on a case-by-case basis	✗ Approach each situation the same
✓ Keep calm when talking to a customer	✗ Be impatient or use a raised voice
✓ Listen carefully to what the customer is telling you	✗ Ignore what a customer is telling you
✓ Repeat back key points to help focus thoughts	✗ Make light of a customer's situation
	✗ Belittle or patronise a customer



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<ul style="list-style-type: none"> ✓ Check understanding ✓ Ask for a preferred time/method of communication ✓ Summarise at the end of the discussion ✓ Set clear boundaries - explain what we can and can't do to help. ✓ Encourage sharing of medical evidence or completion of a Debt & Mental Health Evidence Form (DMHEF) to assist decision making. 	<ul style="list-style-type: none"> ✗ Link personal experience with what the customer is telling you ✗ Fail to deliver adjustments you've agreed ✗ Assume a customer understands you ✗ Fail to respond to questions or address lack of customer engagement ✗ Make unrealistic agreements of payment
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6. Training and Monitoring

S K Asset Finance Ltd ensure that all staff receive appropriate levels of training and support to enable them to meet their obligations to identify and support vulnerable customers. All members of staff are required to complete and pass focused training on 'Vulnerable Customers' and 'Consumer Duty' via E-learning training module on an annual basis. The firm operates a process to allow employees to report and escalate concerns around vulnerability and senior management and the board regularly review the firm's vulnerable customer register to assess any patterns or trends related to the products and services offered by the firm. Additional guidance and support are available from the Compliance Manager - Scott Kerr through mailbox: scott@skassetfinance.co.uk.

In line with the implementation of the Consumer Duty, S K Asset Finance Ltd also operate a variety of monitoring methods to review the outcomes of support provided to vulnerable customers, this includes:

- Thematic complaints reviews
- Reviews of the firm's vulnerable customer register
- Client feedback

These methods of monitoring allow the firm to assess that their products and services are meeting the needs of the customer. Additionally, staff are formally assessed against criteria that directly measures the identification of vulnerable customers through the firm's quality monitoring programme.



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7. Consumer Duty

The Financial Conduct Authority (FCA) introduced the twelfth Principle for Business in July 2022: “**A firm must act to deliver good outcomes for retail customer**” with the rules, guidance and delivery of the four consumer outcomes coming into force on a phased basis. For all new and existing products or services that are open to sale or renewal the rules come into force on 31 July 2023 and for closed products or services, the rules come into force on 31 July 2024.

The Duty sets a higher and clearer standard of consumer protection across all financial services and requires firms to act to deliver good outcomes for customers by:



Cross-cutting rules (give examples for each policy on how the cross-cutting rules are being met)

1. Act in good faith towards clients;
2. Avoid causing foreseeable harm to clients;
3. Enable and support clients to pursue their financial objectives.

Four consumer outcomes

1. Products and services
2. Price and value
3. Consumer understanding
4. Consumer support



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Firm Status

S K Asset Finance Ltd falls in scope of the Consumer Duty for the purposes of Credit Broking.

S K Asset Finance Ltd acknowledges the importance of the consumer duty in our vulnerable customer policy. We firmly believe that consumer duty is a shared responsibility between our company and our customers. We encourage our customers to actively engage with us in a transparent and open manner, providing relevant and accurate information about their unique circumstances and needs. Our people are also trained to understand the characteristics of vulnerability and to provide appropriate support to enable customers to achieve their financial objectives.



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