

The Treasury Committee

The Treasury Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of HM Treasury, HM Revenue and Customs and associated public bodies

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Introduction

1. The Treasury Committee launched the consumers' access to financial services inquiry on 9 November 2018. The Committee launched this inquiry in order to assess:

- the Financial Conduct Authority (FCA)'s definition of vulnerability and whether it can be practically applied by financial services providers;
- whether certain groups of consumers are excluded from obtaining a basic level of service from financial services providers; and
- whether vulnerable consumers pay more for financial services products.

The inquiry

The Committee held five oral evidence sessions:

16 October 2018: Consumer bodies

Sian Williams, Director of the Financial Health Exchange, Toynbee Hall and Matthew Upton, Head of Policy for Consumer and Public Services, Citizens Advice.

14 November 2018: Charities

Katie Evans, Head of Research and Policy, Money and Mental Health Policy Institute; Eleanor Southwood, Chair, Royal National Institute of Blind People (RNIB) and Jane Vass, Director Policy and Research, Age UK.

11 December 2018: Members of the House of Lords

Baroness Tyler of Enfield and the Lord Bird MBE.

5 January 2019: Financial services providers

Tom Blomfield, Founder and Chief Executive, Monzo Bank; Robin Bulloch, Managing Director, Lloyds Bank and Bank of Scotland Retail, and Martin Kearsley, Banking Director, Post Office; and

27 February 2019: Statutory bodies

Andy Goldsby, Community and Partnership Manager, Equality Advisory Support Service; Rebecca Hilsenrath, Chief Executive, Equality and Human Rights Commission; Christopher Woolard, Executive Director of Strategy and Competition, FCA, and Nisha Arora, Director of Consumer and Retail Policy, FCA.

2. In response to its call for written evidence, the Treasury Committee received over 70 submissions from stakeholders including financial services providers, charities and individual consumers.

3. The Committee also held representative outreach events in London on 28 November 2018 and Newcastle on 24 January 2019 in order to engage with a wider variety of charities and individual consumers, particularly those who may not have engaged with the Committee before.

4. This Report sets out the evidence that the Treasury Committee received in the course of this inquiry as well as the Committee's recommendations for Government and regulators on where the Committee feels action needs to be taken.

1 The importance of financial inclusion

5. Financial inclusion has been an issue of fundamental importance to the Treasury Committee for many years. Previous Treasury Committees prior to this Parliament have carried out various inquiries and published many reports. In 2006, the Committee published a report on “Financial inclusion: credit, savings, advice and insurance”,¹ in 2007, a report on “Financial Inclusion: Saving for all”,² in 2009, a report on “Mortgage arrears and access to mortgage finance”,³ and in 2010, the Committee held an inquiry into maintaining cheques as a means of payment.⁴ In this Parliament, in addition to this inquiry, the Committee held inquiries into “Household finances” and “The Access to Cash Review”.

6. In its 2017 report, the House of Lords Select Committee Inquiry on Financial Exclusion summarised why financial inclusion is important:

For most people, access to financial services is an important part of everyday life. At the most basic level, a bank account is used for paying bills and receiving income; access to a bank account is also usually a pre-requisite for gaining employment and receiving social security benefits. Access to savings and affordable credit is an important factor in allowing people to meet unexpected expenses, while conscientious provision for retirement relies upon pension products. These services are a recognised feature of day-to-day life for most people.

A sizeable minority, however, lack access to these products. This presents a significant barrier to engagement in modern society, and can also lead to individuals incurring significant additional costs due to reliance on suboptimal forms of financial access. Those who are financially excluded in this way typically experience other forms of social exclusion, or have other vulnerabilities related to old age, disability, deprivation or a lack of digital skills, meaning that the effects of financial exclusion are compounded or reinforced. Free markets do not always serve the financial needs of these customers effectively.⁵

7. The Committee heard numerous examples of reasons why access to financial services is important to everyday life. Sian Williams, Director of the Financial Health Exchange at Toynbee Hall, explained that access to money was fundamental in order to take part in society:

Financial services are an essential. We are in an environment where you have to be able to transact to survive. That is the truth of a capitalist market

1 Treasury Committee, [‘Financial inclusion: credit, savings, advice and insurance’](#), Twelfth Report of the Session 2005–06, HC848-I, HC848-II

2 Treasury Committee, [‘Financial inclusion follow-up: saving for all and shorter term saving products’](#), Thirteenth Report, Session 2006–07, HC504

3 Treasury Committee, [Mortgage arrears and access to mortgage finance](#), Fifteenth Report Session 2008–09, HC767

4 Treasury Committee [website](#), accessed 25 April 2019

5 House of Lords Select Committee on Financial Exclusion, Report of Session 2016–17, [Tackling financial exclusion: A country that works for everyone?](#), HL Paper 132

economy. I do not get my food and housing for free, so you have to let me transact to make this economy work. [...] Financial services have to be an essential—it is a utility—otherwise, the market does not work.

8. She went on to explain in more detail the various way in which financial services were needed. Regarding transactions she said:

We are in a world where we increasingly need to be able to transact quickly, safely and electronically, with a suite of products that are no-frills, minimal cost to provide and minimal risk to the provider. [...] In terms of transactions, it is crucial that I can receive my income wherever I get it from and pay my essential bills; that is really important.

9. Regarding the importance of savings, she told the Committee:

It is about access to a savings product that, when I have a small amount of money that I can put to one side, I can easily put to one side in a safe and secure place that I trust, and I can also access. Emergency savings are crucial. We know that people on low incomes are putting money to one side, but they are tending to put it under the bed or down the back of the sofa so it has no protection. If there is a house fire, a theft, all of that is then subject to risk.

10. Regarding the importance of insurance, she told the Committee:

If you need your child to have access to a laptop to be able to do their maths homework and all of their other homework, but that laptop is very vulnerable, you want to be able to cover that. Rather than paying for individual item cover, we would much rather see households have a single policy that just covers everything but at a low cost. Many households do not need high cover.

11. The FCA published its Financial Lives Survey which set out some of the levels of financial exclusion within the UK:

- Three per cent of UK adults (1.3 million) have no current account and no alternative e-money account.
- 3.1 million adults have high-cost loans.
- Nearly six in ten (57 per cent) UK adults have no cash savings or savings of less than £5,000.
- Seven in ten (71 per cent) UK adults have no investments at all.
- 31 per cent of adults have no private pension provision.
- The State Pension is the main source of income in retirement for 44 per cent of the population.
- 5.3 million adults in the UK never use the internet, of those 3.7 million (or 70 per cent) live in rural areas.

- 48 per cent of UK adults living in rural areas are 75 or over, have health issues that affect their day-to-day activities a lot, and/or do not use the internet at least most days.
- Only 40 per cent of UK adults are confident in the UK financial services industry, and only 31 per cent feel that financial firms are honest and transparent.
- Only 16 per cent of UK adults rate themselves as highly knowledgeable about financial matters.⁶

12. Katie Evans, Head of Research and Policy, Money and Mental Health Policy Institute told the Committee how people have become excluded, with specific reference to those with mental health problems:

[They] affect things like our short-term memory, which makes keeping track of a budget much more difficult, our ability to process information, so shopping around and getting a good deal is harder, and our motivation. If you are feeling like you can't get up in the morning, get washed, feed yourself and go to work, you are not going to be wondering whether your bank account is the best deal for you. That means we see lots of people who either are using expensive products or who have been defaulted into expensive products: credit cards that started off with a teaser rate, using overdrafts, often without realising they are in an unarranged overdraft, and ending up using credit that is more expensive than a payday loan.⁷

13. Sian Williams, Director of the Financial Health Exchange, Toynbee Hall, told the Committee that many people can become excluded from financial services because they do not have the right forms of identity:

Government, regulators and firms—have decided that they need to know about me in order to be able to give me the product that I am asking for. That is around ID and address verification, making sure that I am not fraudulent or money laundering, for example. That is very hard for some people.⁸

14. Jane Vass, Director Policy and Research, Age UK, explained how elderly people can become excluded from financial services:

The most basic financial service is how you pay for stuff as the world is changing around you and all these new systems are coming in. Bank branches retain their huge importance for older people. What do you do if you can no longer get to the bank branch? Then we see people needing to get cash, so getting a little bit of cash to pay somebody—a carer—who does some shopping for you. If you cannot get out to the ATM or the supermarket for cashback, how can you do that? That is where people start to become reliant on other people. The systems and processes simply have not been designed with that sort of thing in mind. Then there is outright exclusion from some areas of the market. In the past there have been lots of complaints about travel insurance. Lots of people who come to us are

6 FCA, ['The financial lives of consumers across the UK Key findings from the FCA's Financial Lives Survey 2017'](#), 20 June 2018

7 [Q73](#)

8 [Q1](#)

dealing with change, like a gentleman who said he was trying to open a savings account for his mother. She had gone into residential care. He had sold her house, wanted to put the money into a savings account, but even though he had a power of attorney they wanted her to be there to open the account. Of course, she could not do that. She did not have any ID, she did not have any verification and they would not do a home visit. Then, once he had got it opened, they limited what he could actually do as the attorney on the account.⁹

15. The Committee also heard evidence about what the consequences of being excluded from financial services can be for consumers. Eleanor Southwood, Chair of Royal National Institute of Blind People (RNIB) told the Committee consumers can lose their independence, they become more at risk from financial abuse, and can lose confidence very quickly:

People experience enormous frustration. But it is also about financial literacy. It is about financial independence. It is about not being more vulnerable to any kind of financial abuse, because you are entirely on top of and aware of your own financial arrangements and situations.¹⁰ [...]

It comes back to the fundamental issues about confidence, the loss of confidence, the loss of confidence in yourself to understand the information. Sometimes, it may not actually be a literacy issue, but that is how it shows itself, because it is somebody who may not want to admit they can no longer read their bank statements and pretends that they can. There is a group of connected issues, but it is really important to separate the ability to read something with the confidence about interpreting that information. That is very often something that decreases, particularly in older people.

Specifically relating to her own experience with being blind, she told the Committee:

The other day I got into a taxi and had to pay on my card. It was a touchscreen. I just had to give the driver my PIN.

16. Numerous witnesses told the Committee that when consumers were excluded from mainstream financial services, they were only left with turning to payday lenders,¹¹ rent-to-own firms, doorstep lenders,¹² and in the case of exclusion from mainstream insurance, more expensive specialist travel insurance providers.¹³

17. Access to financial services and financial inclusion are issues of fundamental importance to the Treasury Committee, UK consumers, but also the functioning of the economy. Financial inclusion matters to everybody, not just the disadvantaged or vulnerable.

9 [Q75](#)

10 [Q74](#)

11 [Q97](#)

12 [Q1](#)

13 [Q79](#)

18. **Being able to be in control of your own finances helps to keep people independent, confident, and in control of their own lives. It is highly likely that people who are in control of their own finances, are much more able to protect themselves from financial abuse and fraud. This is all the more important in a society where the pace of change is increasing all the time as new technology emerges.**

19. **Throughout the Committee's inquiry we have heard numerous examples of ways in which consumers have been excluded from financial services through no fault of their own, and in many cases, simply because some people with particular needs or characteristics are treated as an afterthought by financial services providers.**

20. **We recommend that maintaining financial inclusion be of the utmost priority for financial services providers, the Government, and financial regulators, in order to maintain a society that does not leave large parts of society behind.**

2 Increasing financial inclusion

Basic bank accounts

21. The FCA has published research estimating that 1.3 million UK adults are 'unbanked', meaning they do not have a bank account.¹⁴ The Committee took evidence to understand whether those that are unbanked experience any preventable barriers to opening a bank account. In written evidence to the Committee, the FCA highlighted potential barriers to consumers having access to a bank account:

- Consumers may have difficulty proving their identity, for example, those with no permanent address or who move often, those who do not have a passport or driving licence or UK paper utility bills in their name.
- A third of unbanked people have had a bank account before and do not want one, for example, because they have got into difficulty with an overdraft.
- There are consumers who may need help to open an account, for example those who are illiterate.¹⁵

22. Since September 2016, under the EU Payment Accounts Directive, all UK banks have had an obligation to consider applications for a 'payment' account by any EU consumer equally and without discrimination. Where other accounts are unsuitable, including for those currently excluded from mainstream banking, a basic bank account will be provided.¹⁶

23. The basic bank account was designed to offer basic functionality and enable consumers to access these services, even if they had a relatively low credit score. In oral evidence to the Committee, Baroness Tyler of Enfield, Chair of the former House of Lords Committee on Financial Exclusion, noted the recommendations from that Committee's report, stating that more needed to be done by providers to promote basic bank accounts:

The evidence we received showed that some [banks] were probably doing their best or certainly doing something. Others were doing next to nothing. That meant those that were doing something started to feel the cost burden was falling unfairly on them, because clearly it is not a money-making venture. To do it, there needed to be more incentive, either a carrot or a stick, for all banks to do their fair share.¹⁷

24. In 2016 the Government designated the nine largest providers of current accounts in the UK¹⁸ as legally required to offer basic bank accounts to eligible customers.¹⁹ However, Robin Bulloch of Lloyds Bank told the Committee that these accounts were not making money for the banks:

14 FCA, [The financial lives of consumers across the UK Key findings from the FCA's Financial Lives Survey 2017](#), 20 June 2018

15 Financial Conduct Authority ([CAF0069](#))

16 UK Finance ([CAF0044](#))

17 [Q133-134](#)

18 Barclays, Clydesdale and Yorkshire Bank, Co-operative Bank, HSBC, Lloyds Banking Group (including Halifax and Bank of Scotland brands), Nationwide, Royal Bank of Scotland (including NatWest and Ulster Bank brands), Santander, TSB.

19 HM Treasury, ['UK compliance with the EU Payment Accounts Directive'](#), 18 September 2016

The basic bank account is free. It provides a basic banking provision, but the cost to us is not dissimilar from other products that provide a basic current account provision. [...] These are not commercially advantageous products for us to have.²⁰

25. Treasury data shows there were 7,455,960 basic bank accounts open as of 30 June 2018.²¹ The loss-making nature of basic bank accounts and the nature of cross-subsidisation between different products, was highlighted by Citizens Advice:

Customers of banks with disproportionate numbers of basic bank accounts theoretically cover the costs of those accounts. [...] That means the cross-subsidy for loss-making consumers isn't deliberately, or fairly allocated. For instance, in its strategic review of the personal current account market, the Financial Conduct Authority found that small groups of consumers pay a very high price for current account services. Two groups—heavy overdraft users and those with large non-interest bearing balances—are the most likely to pay over the odds.²²

26. Citizens Advice carried out extensive research on access to basic bank accounts and found a number of issues:

- Basic accounts are still not visible enough in all banks, so some people won't know that they exist. This is compounded by the fact that not all banks allow people to apply for a basic bank account when consumers think they would benefit from one.
- Banks' processes for determining what account to give someone rely too much on credit checks. People who would benefit from a basic account—people in debt for instance—are sometimes not offered one. In some cases, people with a legal right to a basic account are still unable to access one.
- Applying for a basic account is still too difficult. Branch staff are not always aware of what their bank offers and so give incorrect information which may mean people don't open a basic account when they need one. Some banks' requirements for proof of identity are still too inflexible and place unrealistic expectations on consumers.²³

27. When the Committee asked the FCA whether customers should be entitled to a basic bank account even if they could be eligible for a normal bank account, it confirmed that there was variation between banks and that the regulator was “taking an active interest in the issue.”²⁴

28. In addition to the issues around awareness and eligibility of basic bank accounts, the Committee received a number of written submissions stating that consumers struggled to open basic bank accounts due to a lack of identification. The Money Advice Service wrote:

20 [Q224–225](#)

21 HM Treasury, [Basic bank accounts: July 2017 to June 2018](#), December 2018

22 Citizens Advice ([CAF0041](#))

23 Citizens Advice '[Getting the Basics Right](#)', February 2017, Page 2

24 [Q327](#)

Banks still need to verify people's identity when opening these accounts, presenting continued access difficulties for people who do not have specific forms of identification, such as a passport or a driving licence. There are alternatives which can be used as proof of identity such as a letter from the DWP or HMRC. However, people are often not aware of these other options and banks do not always accept the same forms of identification across the board.²⁵

29. Tom Blomfield, Chief Executive and Founder of Monzo, told the Committee that there were many types of identification that banks were permitted to use, but that banks had been poor at putting this into practice:

Part 2 of the Joint Money Laundering Steering Group's guidance lists over three pages the different forms of identification that you could choose to accept, if you wish to, and reminds banks of their duty to support financial inclusion. For example, for someone who has come out of prison, it might be the warden of the home where they are staying. For a refugee, it might be that Application Registration Cards can be used for identification. For homeless people, it might be that the management of the shelter they are in can write a letter and they can use that for identification to get a bank account. The problem is that these are not standard documents that go through an automated process, and so we have not done enough yet to support them.²⁶

30. Basic bank accounts should be accessible to all consumers regardless of whether they are eligible for another bank account or not. To that end, the Committee recommends that all basic bank account providers should relax their opening restrictions on these accounts immediately, and recommend the FCA mandate banks to do so.

31. All financial services providers who provide current accounts should act immediately to ensure that staff are trained to direct consumers who are rejected for a traditional current account towards a basic bank account, even if this would be with another provider.

32. The Committee recommends that the FCA requires financial services providers to report how many basic current account openings they have rejected and the reason why. This information should be published bi-annually to increase transparency and oversight.

33. The Committee recommend that the Treasury and the FCA consult on bringing in a standardised list of identification papers that are acceptable as identification for a basic bank account and that financial services providers should accept as many forms of identification as possible, and think creatively about more forms of identification that could be accepted.

25 Money Advice Trust ([CAF0027](#)) para 5.12

26 [Q221](#)

The role of consumer education

34. The Committee received evidence that some progress has been made regarding financial services providers offering help to consumers to educate them on how to access services online. In written evidence to the Committee, Barclays Bank discussed the progress it had made with its 'Digital Eagles' programme:

We recognise the importance of supporting the transition to digital banking of those who are less digitally savvy. Our nationwide network of Digital Eagles has led the industry on digital empowerment since their formation in 2013. We now have over 18,000 individuals qualified as 'Digital Eagles', and thus experts in all-things digital banking. They deliver a wide range of future skills no matter where consumers are on their digital journey, and importantly, also support consumers to stay safe online.²⁷

35. In contrast, Sian Williams, Director of the Financial Health Exchange, Toynbee Hall, told the Committee that some of the digital help schemes are somewhat of a "postcode lottery":

It is part of being a responsible financial services provider and I would much prefer to see money going from firms to a shared pot so that we do not have a postcode lottery about the fact that you have a great branch of Barclays here but a bad branch of Barclays over there, or some other firm. I would much rather see that learning done well, shared and mapped across the country, because we have huge pockets of deprivation where that is not being provided. If there is no branch, how do you get it?²⁸

36. It is important that consumer education programmes are more organised to ensure a good coverage across all UK regions as well as across different consumer groups. The Committee will continue to examine and scrutinise the Government's approaches to financial literacy in a wider context.

Self-exclusion spending and lending blocks

37. The Committee received evidence that there is benefit in providing customers with tools to prevent them spending money on specific items. For example, in oral evidence to the Committee, Tom Blomfield described Monzo's gambling block and the assistance it provides:

We introduced the gambling block because our customers were asking for it. We have a vulnerable customers team, which works with customers of all kinds of vulnerability, and we noticed a growing incidence of people with gambling problems. Our vulnerable customers team itself came up with the proposal and, honestly, it may have taken a week or perhaps 10 days to build it. The cost was four salaries for 10 days. We are not talking millions and millions of pounds here.

We worked with a couple of gambling and debt charities to make sure the mechanic was right. This is the ability for a customer to opt out. [...] Often

27 Barclays Bank PLC ([CAF0023](#))

28 [Q53](#)

people with various mental health disorders will, late at night, for example, want to re-enable it but then the next day decide they really do not. That cooling-off period is crucial and is the thing that has been really welcomed. As of yesterday, we had 58,000 [about four to five per cent of its customers] people who had enabled the gambling block. That is not to say that 58,000 people necessarily had gambling problems; some simply wanted to turn it off.²⁹

38. Tom Blomfield also told the Committee that Monzo was restricted from helping consumers further owing to a lack of data provided to financial services providers by retailers:

When a transaction comes through the card network, we get very high-level data—things like the total amount, the merchant category code, some location data and that is about it. In blocking alcohol, for example, we would be able to block off-licences, which would be a pretty good coverage. The problem is if you go to a supermarket, for example. We do not want to block your Shreddies. There is a solution. The solution is what is called level-three data. Any retailer has the option to include, in that message, line-item data on what you are buying, so not just that you have bought a flight, but the flight details, or not just £100 at Tesco, but you bought a case of beer and your Shreddies.

Most retailers choose not to include that data. If they were encouraged or even mandated to include that level-three data that would enable us to do things like block the purchase of alcohol for under 18s or self-exclude from alcohol purchases. The retailers do not want to give up this data, because they believe it is commercially sensitive. We believe it is the customer's data. It has immense utility for things like submitting tax returns or budgeting, so knowing how much you are spending on alcohol versus entertainment or whatever.³⁰

39. Katie Evans, Head of Research and Policy at Money and Mental Health Policy Institute, described to the Committee the benefits of self-exclusion blocks could be for consumers with certain mental health problems:

We know of people who are using cash to manage spending when they are unwell because they cannot turn on clever settings on their cards. At best, I have heard of people literally putting their credit cards in a Tupperware full of water and putting it in the freezer, which is fantastic: how clever for someone to come up with that system for themselves, to try to put in place the friction they need when they are unwell.³¹

She went on to give examples of when such blocks might be needed:

We are particularly concerned about the steps creditors can take further up the chain to avoid people getting into problem debt. To take an example, say you are in the manic phase of bipolar disorder. Bipolar disorder does

29 [Q241–242](#)

30 [Q239](#)

31 [Q76](#)

not affect a very large number of people; it is one to two per cent of the population, but a clinical symptom of the manic phase of bipolar disorder is drastically increased impulsivity.

We hear stories of people going out and buying five sports cars in a week, all on credit. We know it is technically possible, to put things in place that allow people to protect themselves against that type of spending. We are not, I do not think, seeing progress quickly enough. For example, something we would be really interested in is whether it would be possible to utilise the existing notice of correction scheme around credit referencing to let people put a proactive block in place that says, "I do not want you to lend to me. Please do not lend to me", or to block themselves from increases in credit card limits, advertising for credit cards, all those mechanisms by which people get into difficulty when they are unwell.³²

40. The Committee welcomes initiatives such as Monzo's voluntary block on gambling transactions, and urges other financial services providers to follow this example and introduce self-exclusionary gambling blocks of their own. In addition, they should offer customers the opportunity to exclude themselves either from borrowing altogether or from spending excessive sums of money in short spaces of time.

41. Although there are obvious concerns about the privacy of consumer data, making more use of level-three transaction data—in order to allow consumers to set up spending blocks on items such as alcohol—should be explored. Allowing financial services providers access to such data—with the informed consent of consumers—could provide significant opportunities for additional consumer self-protection.

42. UK Finance should work with financial services providers to find ways to increase the variety of self-exclusion spending and lending blocks available to consumers.

Delegated authority and power of attorney

43. In the financial year 2018-19, 749,000 Lasting Power of Attorneys were registered with the Office of Public Guardian. This represented a 63 per cent increase in annual registrations since 2016-16, when 459,000 were registered. In total, as of May 2019, there were 3,998,000 Lasting Power of Attorneys registered.³³

44. The Committee received a large amount of evidence on the roles that delegated authority, power of attorney, and carers play in assisting access to financial services for vulnerable consumers. In particular, the Money and Mental Health Policy Institute submitted evidence on the need for greater options to help those that require third party access mechanisms to be enacted:

Carers often struggle to access account information or to communicate with firms on behalf of the person they care for, meaning that they must either spend long periods of time working through systems together—particularly challenging as most people who care for someone with a mental health problem do not live with them—or rely on risky workarounds. Half

32 [Q73](#)

33 [Office of Public Guardian \(CAF0089\)](#)

of carers for people with mental health problems know someone else's PIN (52 per cent), and one quarter know someone else's online banking password (23 per cent). Legal tools like Power of Attorney are often seen as inappropriate or disempowering by people with fluctuating mental health problems.

[...] It is understandable that firms might be cautious about engaging with carers without a Power of Attorney, due to concerns about data protection and privacy, but the lack of appropriate third-party access mechanisms risks exposing people who are already struggling with their mental health to financial harm too. We urgently need financial services providers to build processes and settings which allow people to share financial management tasks with a friend or family member in a transparent way, without putting either party at risk.³⁴

Proposed remedies included:

- Online read-only account access for a third party,
- Notifications to a third party—for instance for transactions beyond a certain threshold,
- Ability to delegate limited account tasks—for instance the ability to pay existing payees,
- Dual authorisation of transactions—particularly for people who struggle to control their spending, and
- Carer Cards with limited permissions—as announced by Barclays in 2017.³⁵

45. Age UK also submitted evidence on the merits of a carer card, which would benefit those who need carers to purchase goods and services on their behalf:

In our 2011 report, “The Way We Pay” we recommended that ‘carers cards’ with an audit trail that can show who has spent the money on it and the ability to limit payments should be launched. No such card has yet been launched, although at least one bank is intending to do so and cards with spending blocks for problem gamblers are now available.³⁶

46. The Committee asked Nisha Arora, Director of Consumer and Retail Policy at the FCA, for her views on the role power of attorney could play in assisting consumers. She told the Committee that due to the complexity around the rules, firms and consumers found them confusing, but more work was being done to improve their usage:

There is a lot of confusion, because there are different types. There are lasting powers of attorney, a third-party mandate and then consumers turning to informal coping mechanisms. Yes, they could be great, but they also bear risks around them. Both firms and consumers were finding them

34 Money and Mental Health Policy Institute ([CAF0047](#))

35 Money and Mental Health Policy Institute ([CAF0047](#))

36 Age UK ([CAF0067](#))

quite hard to navigate and understand what the evidential requirements are, seeing inconsistencies in what evidence was needed and how firms would deal with those situations.

Two initiatives have happened. One is that UK Finance has published some principles around third-party access. Those are meant to be implemented fully in March this year, but actually the Lending Standards Board has already initially reviewed that and seen quite good progress. There are still issues around that and people still having to go into a branch to register. We are also working with the UK Regulators Network to try to get some more consistency on this issue between regulators, bearing in mind that the financial services sector might bear greater risks compared to other sectors. That will also help frontline staff really understand these issues. A lasting power of attorney may not be the thing for everyone; there may be other flexible options. It is giving staff the confidence to use those flexible options to meet consumer needs, but then bearing in mind the risks that might come with, say, a family or friend who might be trusted or might not be.³⁷

47. In its written submission the FCA said that it had found that third-party assistance and access to individuals' finances were not working well, and that the FCA had asked UK Finance to report back on how banks were changing their approach:

Processes and systems did not appear to be optimised for third-party access and that problems with engagement for a Lasting Power of Attorney often resulted in consumers resorting to workarounds to make financial transactions. In June 2017, following commitments from the then British Banking Association's vulnerability taskforce report, eight of the UK's biggest high street banks and building societies agreed to implement a new set of third-party access principles. These are designed to help improve the experience of customers and outcomes. We encouraged UK Finance to measure and transparently assess the effectiveness of the principles 12 to 24 months after their publication.³⁸

48. The Committee recommends that the Government and the FCA consult on how the use of power of attorney works in practice with regard to financial services, and whether the current powers that exist are fit for purpose. The wider use of carer cards should be explored and encouraged by the FCA.

49. The Committee expects UK Finance or the FCA to carry out a review and report back on the effectiveness of the FCA's third-party access principles—committed to by the UK's high street banks in 2017—by the end of 2019.

37 [Q329](#)

38 [Financial Conduct Authority \(CAF0069\)](#)

3 Do vulnerable consumers pay more?

The relationship between vulnerability and financial distress

50. The Committee received a number of written submissions concerning the link between vulnerability and increased financial difficulty. In particular, Scope, a disability equality charity, noted the increased costs those with disabilities can incur:

Many disabled people face additional costs related to their impairment or condition across many areas of their lives. On average, these costs amount to £570 a month. This is on top of welfare payments designed to help meet these costs. One in five disabled people face extra costs of over £1,000 each month [...]

The extra costs of disability fall broadly into three main categories:

- Paying for specialised goods and services, such as assistive technology, wheelchairs or adapted items of clothing.
- Greater use of non-specialised goods and services, such as energy and taxis or private hire vehicles.
- Spending more on non-specialised goods and services, including financial products such as insurance.³⁹

51. The Money and Mental Health Policy Institute concluded that:

People with mental health problems are three times as likely to be in problem debt as those without.⁴⁰

They went on to explain that:

Half of adults in problem debt also have a mental health problem. Mental health and financial problems can form a devastating, self-reinforcing cycle. Over 420,000 people in problem debt consider taking their own life in England each year, and more than 100,000 people in debt actually attempt suicide.⁴¹

Access to insurance

52. The Equalities and Human Rights Commission guidance on health insurance states that Schedule 3, Part 5, paragraph 21 of the Equality Act 2010 contains an exception for insurance companies that enables them to treat disabled people differently if “the different treatment is by reference to relevant information from a source on which it is reasonable for you to rely, and it is reasonable for you to treat the person differently.”⁴²

39 Scope ([CAF0038](#)) Para 4

40 Money and Mental Health Policy Institute ([CAF0047](#))

41 Money and Mental Health Policy Institute ([CAF0047](#))

42 Equality and Human Rights Commission, ‘[Equality law - Banks and other financial services providers](#)’ website accessed on 8 April 2019

53. Macmillan Cancer Support cited the existence of the exemption as being problematic for vulnerable customers. In its written evidence to the Committee, Macmillan stated that insurers are failing to disclose the basis on which they decide on additional medical premiums, and this makes it difficult to assess whether insurers were in compliance with the Equality Act:

Macmillan believes that the insurers' 'disability exception'—within the Equality Act 2010 is the root of many of these issues. Information on underwriting and the data used to inform medical screening tools, which underpin risk decisions and premium calculations, is treated as commercially 'sensitive'. It is impossible to determine whether data used is 'relevant and reliable' (in compliance with the Act) or based on untested assumptions and generalisations and, consequently, if consumers are being quoted disproportionate or 'precautionary' premiums because insurers do not take proper account of their circumstances.

Insurers have stated that they comply with the Equality Act by offering all customers the opportunity to undergo the same medical screening used for all conditions. Macmillan believes that this approach is inadequate. Rather than expecting a universal parity of approach, the Act requires providers to make reasonable adjustments to the provision of goods and services for disabled consumers, based on the needs generated by the individual's disability, to ensure that they have a level of access closest to that available to non-disabled consumers.⁴³

54. The Committee received evidence that premiums to cover medical conditions are significantly higher than might be considered necessary. An example comes from the National Aids Trust (NAT) in the case of consumers with an HIV diagnosis:

NAT found that people living with HIV are often unclear why they are being charged so much, leading them to feel that they are being discriminated against. The significant variance in price between providers reinforces this, particularly between mainstream insurers versus specialist providers.⁴⁴

NAT provided the Committee with a contribution from a participant at one of its group events:

I'm with [a specialist provider] because I've got [a current account that offers travel insurance] I phoned up, gave them all my information, and they wanted over eight hundred pounds extra as a supplement for the fact that mainly the two of us are HIV positive. Without the HIV it would have been two hundred pounds for anxiety, asthma. You're like well that's still ridiculous when I've got cover for less than a tenth of that. That is blatantly them trying to not cover you.⁴⁵

Similarly, Macmillan Cancer Support also provided information on the additional premiums which people with a current or former cancer diagnosis are required to pay:

43 Macmillan Cancer Support ([CAF0037](#)) Para 40

44 NAT (National AIDS Trust) ([CAF0051](#)) para 6.2

45 NAT (National AIDS Trust) ([CAF0051](#)) para 6.2

People with cancer pay substantially more for travel insurance than other consumers. Our research has shown that, on average, people who have had cancer paid over three times the average premium paid by someone without a pre-existing condition.⁴⁶

55. The additional premiums paid by those with medical conditions to obtain travel insurance has received attention from the FCA, who issued a call for evidence on access to insurance in June 2017.⁴⁷ Christopher Woolard, Executive Director of Strategy and Competition, FCA, explained the reasons for the FCA's call for evidence in relation to how insurance firms were complying with the Equality Act:

We asked providers to explain how their pricing systems and practices complied with their obligations under the Equality Act 2010. The Equality Act makes it unlawful for firms to discriminate against people who have (or had) a disability (including cancer). There were differing responses from providers on how they were complying with the Equality Act. Most explained that they generally avoided discrimination by using the same process for all medical conditions. They based decisions on the risk that a condition presents, rather than the condition itself. They also provide equal opportunities to undergo a medical screening.⁴⁸

However he went on to admit that the FCA did not review the pricing models of insurers:

We did not ask providers to send us the supporting evidence for their explanations. Most providers were aware of their obligations under the Equality Act, the disability exception for insurance and what the relevant tests are. We feel firms could examine whether their approach is reasonable in the circumstances. They could consider the possibility of indirect discrimination in their processes and make reasonable adjustments to avoid this. If we believe that firms are not applying the above tests correctly we will work with the Equalities Commission, and conduct further investigations. We believe that firms would not be meeting our obligations, including the Principles for Business, in not complying with the Equality Act.⁴⁹

56. When the Committee asked Christopher Woolard what the FCA had done to make sure that insurance companies were complying with the Equality Act he stated:

We asked firms, in terms of putting together the algorithms that sit underneath their pricing, how they compiled that data and whether they have tested that each piece of data is compliant with the requirements that are set under the Equality Act, and a number of them could not give us that answer straightaway.⁵⁰

57. The EHRC told the Committee that these were not issues that it had looked at in detail, and they were unlikely to do so in the future. Rebecca Hilsenrath told the Committee:

46 Macmillan Cancer Support ([CAF0037](#))

47 Financial Conduct Authority, '[FCA asks for feedback on consumer access to insurance](#)', website accessed on 8 April 2019

48 [Q141](#)

49 FCA, [Call for Input on Access to Insurance](#), June 2018

50 [Q304](#)

My initial caveat is that this is also not an area that we have looked into or have ever run any investigatory work on. [...] These are very technical cases. [...] It is full of algorithmic, actuarial assessments of data that we do not have sight of. There are all sorts of underlying assumptions that we are not aware of. It is unbelievably resource-intensive, difficult, technical and expensive to assess, so it becomes an issue about proportionate investment of resources on our part, but it is something we would look at. [...] It is not in our strategic priorities, to be honest.⁵¹

58. In response to this, Christopher Woolard stated that the FCA has “the resources and expertise to pick inside those insurance models.”⁵²

59. This report considers who should be responsible for the enforcement of the Equality Act in Chapter Five of this report.

60. Nisha Arora, Director of Consumer and Retail Policy at the FCA, told the Committee she was not aware of the specific issues the Committee raised, such as customers with HIV being charged more despite not being at greater risk of making a travel claims,⁵³ but were complaints to be made, the FCA would prioritise them.⁵⁴ The solution that she proposed for such cases that could be delivered more quickly was for consumers to seek out specialist firms which can provide more tailored policies and “understand the risks more, and can deal more sensitively with customers.”⁵⁵

61. The FCA’s feedback statement also recommended the use of signposting to help consumers with medical conditions access travel insurance. Some charities were left unconvinced by this measure, including Age UK in written evidence to the Committee:

We are disappointed by the focus on signposting in the FCA’s recent response to its Call for Input on Access to insurance in relation to cancer. Signposting may be helpful to some, but simply perpetuates the current marketplace. We already have a similar signposting service for older consumers through BIBA, set up in the wake of the Equality Act. Age UK would like to see a review of how the signposting service is working for older consumers—not just in terms of the numbers of referrals, but the outcomes, i.e. whether people are able to get the cover they need, at a reasonable price. However, the wider question is whether the market as a whole is working for older people. Age UK’s strong preference is for a mainstream market that keeps up with the needs of our ageing population and maintains the largest possible risk pool.⁵⁶

62. The EHRC told the Committee it does not have the relevant resources to investigate whether individual insurance firms’ treatment of customers with disabilities is compliant with the Equality Act or not. Responsibility for insurance companies’ compliance with the Act, both in individual cases, and for firm wide issues, should therefore be transferred to the FCA.

51 [Q310–312](#)

52 [Q312](#)

53 [Q316](#)

54 [Q317](#)

55 [Q315](#)

56 [Evidence submitted by Age UK \(CAF0067\)](#)

63. The FCA told the Committee that it has the resources to look at individual firms' algorithms to assess compliance with the Act, but—for reasons unknown to the Committee—chose not to ask for individual firms' data when it held an initial call for input regarding the issue. This was a missed opportunity. The Committee is concerned that, despite the FCA telling the Committee that a number of firms could not give it assurance straight away that their pricing data is compliant with the Equality Act, the FCA did not choose to ask for more information.

64. The Committee has heard that the FCA recommends consumers facing discriminatory pricing use more specialist companies that understand their individual circumstances better. This is not an adequate response to discrimination in breach of the Equality Act. While it may be the case that customers can seek a quicker solution by using a specialist insurer, illegal discrimination must be addressed by regulators.

65. Insurance markets operate by pooling and spreading risk among a large group of policy holders or policy writers. By excluding individuals with specific needs from mainstream insurers, it is less likely that they will be able to benefit from the pooling of risk that travel insurance provides. Pursuing a policy of encouraging vulnerable customers to use specialist insurers is therefore not the optimum solution, and reduces choice for vulnerable customers.

The loyalty penalty

66. Citizens Advice define the loyalty penalty as “the cost of being a long-standing customer, compared to a new customer receiving the same product or service”.⁵⁷

67. Citizens Advice lodged a super-complaint⁵⁸ on the premise that “deep, structural price discrimination against disengaged and loyal consumers has been a persistent feature of essential markets for many years”.⁵⁹ The super-complaint is not limited to financial services products but extends across other services including energy and internet provision. Matthew Upton, Citizens Advice, described to the Committee the implications of already vulnerable consumers having to pay the ‘loyalty penalty’:

When I am shopping around for insurance, energy or mobile phones, I get brilliant deals subsidised by the most vulnerable in society, because they are much more likely to be hit by what we call the loyalty penalty, which is the price you pay once your initial contract jumps up.

He went on to explain that the average consumer could be paying up to £1,000 per year due to the loyalty penalty:

If you look at the lowest 10 per cent of the income decile, that can be about 8 per cent of their expenditure. It is huge amounts of money that people are being ripped off, very knowingly, by firms. That should be looked at as a priority.⁶⁰

57 Citizens Advice, ‘[The Cost of Loyalty](#)’, February 2018

58 A super-complaint, as defined by section 11(1) of the Enterprise Act 2002 (EA02), is a complaint submitted by a designated consumer body that ‘any feature, or combination of features, of a market in the UK for goods or services is or appears to be significantly harming the interests of consumers’.

59 Citizens Advice, ‘[Excessive prices for disengaged consumers - A super-complaint to the Competition and Markets Authority](#)’, September 2018

60 [Q1](#)

68. The Competition and Markets Authority (CMA) published its response to the super-complaint on 19 December 2018, in which it concluded that “vulnerable people, including the elderly and those on a low income, may be more at risk of paying the loyalty penalty.”⁶¹

69. The CMA recommended that “Firms should be publicly held to account for charging existing customers much more; regulators should publish the size of the loyalty penalty in key markets and for each supplier on a yearly basis and that targeted price caps to protect the people worst hit by the loyalty penalty, such as the vulnerable, where needed.”⁶²

70. The CMA also made a series of specific recommendations for the FCA to respond to regarding the loyalty penalty within financial services. On cash savings the CMA recommended:

The FCA has recognised that interventions to date have had limited impact on addressing the harm to longstanding customers, and it is currently considering a ‘Basic Savings Rate’ among other potential interventions. We welcome this further work and recommend that if the FCA implement the Basic Savings Rate, it evaluates whether this has had the intended impact and if not, consider further pricing interventions such as a targeted absolute price floor in cash savings. The FCA should also consider whether collective switching can be applied.⁶³

71. On insurance the CMA recommended:

Evidence suggests that many longstanding customers are paying much more than newer customers, with businesses repeatedly increasing prices year on year. Therefore, we welcome the FCA’s current market study and as part of this study we recommend that it: investigate insurance pricing practices and consider pricing interventions that limit price walking, for example rules to restrict this practice and explore how intermediaries can continue to benefit the home insurance market (for example where ‘semi-smart’ solutions can improve the existing infrastructure of price comparison websites).⁶⁴

72. Christopher Woolard explained to the Committee in oral evidence that the FCA broadly agreed with the CMA’s recommendations:

We have finished or are just about to finish pieces of work around the mortgage market. We have pieces of work around cash savings that are finally coming into land, and we have a very large investigation ongoing right now around the general insurance market, which were the three areas that Citizens Advice particularly highlighted in what they do. The exact remedies we end up with at the end of that market study, in particular around general insurance, are still to be determined, but we are supportive of the broad thrust of where the CMA has gone, in terms of whether to make that kind of information available and what the CMA concluded.⁶⁵

61 Competition and Markets Authority CMA, [CMA tackles loyalty penalty charges](#), 19 December 2018

62 Competition and Markets Authority, [CMA tackles loyalty penalty charges](#), 19 December 2018

63 Competition and Markets Authority, [‘Tackling the loyalty penalty’](#), 19 December

64 Competition and Markets Authority, [‘Tackling the loyalty penalty’](#), 19 December

65 [Q320](#)

The FCA confirmed its major study into insurance would be published in the Summer.⁶⁶

73. However, Christopher Woolard was not of the opinion that publishing a list of firms with the largest loyalty penalty was the most suitable response. He said:

Actually, particularly where switching is complex or a hassle for individuals, simply putting information in their hands that says they are not getting a great rate may not be the whole answer.

He went on to recommend that:

Some wider structural remedies may be part of the issue. That is why, for example in cash savings, we proposed the idea that there should be a base savings rate, so that, once you have been sold the product, you cannot go below that.⁶⁷

74. The Committee welcomes the CMA's conclusions and recommendations regarding loyalty penalties and how they impact upon vulnerable customers. The Committee notes that the FCA is in the process of investigating the existence of loyalty penalties within the mortgage, insurance and cash savings markets, and expects the FCA to act upon those investigations swiftly once concluded.

75. Based on the evidence given to the Committee, the FCA thinks that, due to the complexity of switching, simply providing customers with information about the loyalty penalty they are paying will be insufficient to motivate them to switch to a better provider. If this is the FCA's view it must redouble its efforts to make switching a simpler process.

76. In line with the CMA's recommendation, the Committee recommends that the FCA makes it mandatory for firms to publish the size of their loyalty penalties on an annual basis to consumers so that consumers are fully informed. Even if many consumers choose to ignore such information, others will not, and the inclusion of such information may motivate firms to make efforts to reduce their loyalty penalty.

66 [Q323](#)

67 [Q321](#)

4 Bank branch closures

77. In 1988 there were 20,583 bank branches in the UK, but the number remaining has reduced to 9,690 based on the latest estimates available in 2017.⁶⁸ The House of Commons Library research on bank branch closures states that:

The forces driving closure programmes are varied, but financial innovation and trends in society towards falls in demand for the use of cheques as a payment means and increased use of electronic payment services have all played their part. [...] It is feared that the impact of closures will be felt most in rural areas and places where no viable alternative exists.⁶⁹

78. The 'Access to Banking Protocol' was put together by the banks, interested stakeholders, Trade Associations and the UK Government⁷⁰ to manage the way the closures are done. This protocol was replaced with the 'Access to Banking Standard' which came into effect on the 1 May 2017 following an independent review led by Professor Russell Griggs OBE.⁷¹ The Lending Standards Board oversees the 'Access to Banking Standard'.

79. The Standard aims to ensure that customers are better informed about a branch closure and what options are available to ensure that they can continue to access banking services in the local area. Once a year the Lending Standards Board publishes a high-level report on compliance with the Access to Banking Standard.⁷² However, this report does not publish a breakdown of non-compliance by financial services provider.

80. Sian Williams, Director of the Financial Health Exchange, Toynbee Hall, told the Committee that if efforts are only made to preserve a bank branch presence in a community once there is only one bank left, it is often already too late:

The Access to Banking Standard is about the last bank in town leaving. If we brought the conversation up the food chain a little bit, before the last bank is left to be the last bank, once banks start to see that their business and their footfall is starting to fall—it is not accounts but footfall in the branch—that is the point at which we need to be able to have the conversation. Financial services providers in an area need to be able to talk together and say, "We are seeing footfall in our branches drop. It is uneconomical to have staff and a branch."⁷³

81. During this inquiry the Committee heard from a range of witnesses who had differing views on the impact of bank branch closures on consumers. UK Finance noted the changing nature of banking in the UK:

The way customers are choosing to do their banking is changing rapidly, with ever-growing numbers opting to use new technologies to manage their money at a time and place that is convenient to them. While branch visits

68 *Bank branch closures*, [Briefing Paper 385](#), House of Commons Library, 19 October 2018

69 *Bank branch closures*, [Briefing Paper 385](#), House of Commons Library, 19 October 2018

70 Lending Standards Board, [Access to Banking Standard Summary Report](#), September 2018

71 Lending Standards Board, [Access to Banking Standard Summary Report](#), September 2018

72 Lending Standards Board, [Access to Banking Standard Summary Report](#), September 2018

73 [Q43](#)

have fallen by a quarter since 2012, they are still an important part of local communities, and banks want all customers to be served, so the decision to close one is never taken lightly.⁷⁴

82. Robin Bulloch, Managing Director, Lloyds Bank and Bank of Scotland Retail, in oral evidence to the Committee, described their process for closing branches:

The first element is a local review, which has local management, local directors and regional directors in discussion with our central team around the branches in a locale [...] Those particular branches in those discussions are then reviewed by a central team. They look at a large range of data, in fact over 100 pieces of data. The important element and piece you referred to is the expert team visiting that location to see the use of the branch and the alternatives in the event of that branch being closed. That includes evaluating transport links to the next-nearest branch. It includes assessing the availability of the Post Office and its services. It includes the provision of ATMs in the locale and, in rural locations, we evaluate whether a mobile branch would be a suitable alternative in the event of a branch closure. The final part, as you would expect, is that a senior executive team, including myself, takes formal decisions around branch closures. On some occasions, we decide that it is not appropriate to close a branch.⁷⁵

83. In order to mitigate against the negative impacts of rural branch closures, Robin Bulloch told the Committee Lloyds use 44 mobile bank branches⁷⁶ to service customers:

We like to think that the alternatives that we provide, such as the mobile branch and other provisions, demonstrate our ongoing commitment to support these customers.⁷⁷

84. Despite the processes put in place by banks to protect customers from branch closures, the FCA's written evidence to the committee indicated that the impact of bank branch closures are not felt evenly across socio-economic groups:

Nearly two in three customers used in-branch face-to-face services and nearly half (45 per cent) used in-branch self-service machines in the last 12 months. Together with the survey results that older consumers (65 years and over) and those on lower household incomes (less than £15k per year) use their branch at least once a month, branch closures are likely to inconvenience these groups more than others. They are also less likely than other consumers to be using alternatives, such as mobile banking.

We now understand bank branch use better from talking to vulnerable consumers and their advocates through our UK programme of regional engagement. We have heard that for some consumers, for example with learning difficulties and conditions such as autism, bank branches provide greater security and a source of support that can help them to meet their

74 UK Finance ([CAF0044](#))

75 [Q169](#)

76 [Q199](#)

77 [Q174](#)

financial needs better than online channels.⁷⁸

Similarly, Which?, an independent consumer body, submitted written evidence to the Committee stating:

A Which? survey found that nearly nine in ten adults (86 per cent) had visited a bank branch at least once in the last year. Retirees were the most likely to say that communities shouldn't be left without access to a range of bank branches (91 per cent vs 83 per cent of those in employment), and that banks aren't considering the impact on rural communities when they close branches (90 per cent vs 78 per cent). Eight in ten adults (83 per cent) said branches should stay open for those who are unable or unwilling to use alternatives, while three quarters (77 per cent) said we need branches in case there are technical problems with digital alternatives.

Which? concluded that:

Vulnerable consumers risk being excluded as the double blow of bank branches and ATMs can leave them without easy, free access to cash to pay for essential goods and services.⁷⁹

85. The benefits of maintaining a branch network were made clear during the TSB I.T. system failures in April 2018. During the Committee's inquiry into TSB's failures, the Committee heard that customers were told to go to their local branch or speak to the bank on the phone in order to access their accounts, in lieu of the mobile and internet banking channels which were not working. Almost a year on, customers still cannot apply for loans through TSB's website.⁸⁰

86. In a speech on cyber resilience, Megan Butler, Executive Director of Supervision (Investment, Wholesale and Specialists) at the FCA, said that incidences of IT failure were increasing rapidly, and the FCA did not expect such incidents to disappear:

In the year to October, firms reported a 187 per cent increase in technology outages to the FCA, with 18 per cent of all the incidents reported to us cyber-related. [...] The FCA does not expect 'zero-failure'. A point that is explicitly made in July's FCA and Bank of England discussion paper on operational resilience. The true test of the resilience of UK Finance is not the absence of incidents. It's how well incidents are managed.⁸¹

87. As bank branches are closing, banks and building societies are expanding the ways in which they can service customers. The Money Advice Trust used the Nationwide Building Society as an example:

Some financial services providers have demonstrated the potential for technological innovation to keep bank branches open. We would in particular cite Nationwide Now, which uses video conferencing technology to provide in-branch customers with access to a range of centrally-located

78 Financial Conduct Authority ([CAF0069](#))

79 Which? ([CAF0065](#))

80 TSB, 'Personal loans', Accessed 5 March 2018

81 Speech given by Megan Butler, '[Cyber and technology resilience in UK financial services](#)', 27 November 2018

specialist staff, such as mortgage brokers and specialist collections staff. This reduces the cost of the branch network and has allowed Nationwide to keep branches open.⁸²

In written evidence to the Committee the Building Societies Association gave the example of Newcastle Building Society who chose to co-locate with the local library in Yarm near Stockton-on-Tees.⁸³

88. Sian Williams told the Committee that banks cannot expand on the idea of physically sharing their branch space to sharing it with other banks because anti-competition measures prohibited them from doing so:

[The banks] are not allowed to talk about co-operation and collaboration. We have to come to an agreement that, in order to solve that, there has to be a permissive space to talk about collaboration to meet the needs of under-served communities. [...] When a bank is told that they cannot collaborate to make sure [keeping a branch open] happens, and the competitive framework and the legislation around antitrust means you cannot talk to anyone about making that happen, I think we have created an impossible conundrum.⁸⁴

89. In August 2016 the Competition and Markets Authority published its investigation into competition in the retail banking sector. In its review it noted that banks sharing branch facilities could reduce barriers to entry:

While the cost of building and running an own-branded branch network may deter or prevent entrants from doing so, there are a number of alternatives that may act as a substitute channel of interaction with customers. These include inter-bank agency agreements (IBAAs). Though they do not carry the brand advantages of traditional branches, these arrangements can act to reduce barriers to entry or expansion where branches are deemed necessary for customer acquisition and / or account maintenance.⁸⁵

In its submission to the CMA review, the Campaign for Community Banking Services had noted that:

The use of improved IBAs, and Post Offices if and when improved, would be a big step towards increasing competition in 'no choice' communities. Given the continued importance of branches to customer acquisition and retention, especially for SMEs, in its view shared service branches would open the door to new entrants and smaller banks as well as improving competition between established players.⁸⁶

90. The CMA concluded that methods for sharing a branch network could be part of the solution to promote new entrants:

82 Money Advice Trust ([CAF0027](#)) Para 5.8

83 Building Societies Association ([CAF0022](#)) Para 19

84 [Q45](#)

85 Competition and Markets Authority, '[Retail banking market investigation](#)', 9 August 2016, para 9.186

86 Competition and Markets Authority, '[Retail banking market investigation](#)', 9 August 2016, para 9.187

Branch usage has significantly declined in recent years and multi-channel banking (branch, telephone and digital) is now the most common way in which customers use their bank. Branches remain important to customer acquisition for personal current accounts and in particular business current accounts, and establishing an own-branded branch network involves significant costs. We have not found, however, that new entrants or smaller banks have a cost disadvantage or other difficulties relative to incumbent banks if a branch network is part of their strategy. In addition, as shown by our case studies, new entrants are able to adopt alternative business models including the use of digital channels as well as the Post Office, IBAs and/or existing retail networks. We do not therefore find that access to a branch network is a barrier to entry and/or expansion.⁸⁷

91. Evidence received by the Committee made clear that certain groups who are likely to be more vulnerable, such as older consumers or those on lower incomes, are more likely to be impacted by bank branch closures.
92. The increasing number of IT failures within banks, and the inability of financial services providers to serve their customers digitally during such service failures, provides a strong rationale for why banks cannot rely on their online and mobile channels replacing their physical presence through branches entirely.
93. The banking industry has justified the closure of branches by highlighting the large increases in the use of online or mobile banking. It may be the case that for certain categories of customer a visit to their local branch is now an unusual occurrence. However, there are still large sections of society who rely on bank branches to carry out their banking needs. A bank branch network, or at the least, a face-to-face banking solution, is still a vital component of the financial services sector, and must be preserved.
94. It is up to the industry to determine how best to maintain face-to-face banking, but options such as a greater expansion of mobile bank branches; sharing bank branch facilities with other banks, shops or community buildings; or pooling staff of different banks within one premises should all be considered. The Committee has not seen compelling evidence that competition law would prevent banks from sharing facilities. In its response to this report, the Government should set out whether this is the case. If it is the case, the Government should make changes to competition law to allow banks to share facilities in order to maintain a sustainable branch network. If the financial services market is unwilling to innovate to halt the closure of bank branches, market intervention by Government or the FCA may be necessary to force banks to provide a physical network for consumers.
95. The Committee recommends that the Lending Standards Board—through its oversight of the Access to Banking Standard—should publish the examples of non-compliance by providers within its annual report on the Standard, to increase transparency and the potential for external scrutiny over branch closures.

87 Competition and Markets Authority, [‘Retail banking market investigation’](#), 9 August 2016, para 9.291

96. **Efforts to maintain a bank branch presence on the high street should begin prior to the last branch in town announcing its departure. By the time the last branch in a community is announcing its closure, the process to retain a physical presence in a community may often be too late.**

The Post Office network

97. The Post Office has a network of 11,547 branches in the UK as of March 2018.⁸⁸ As part of its financial services proposition, the Post Office offers cash deposits and withdrawals, change giving and cheque handling to customers whose retail bank or building society is signed up to the Post Office 'Banking Framework'.⁸⁹ However, Martin Kearsley, Banking Director at the Post Office, told the Committee the Post Office does "not currently" make a profit from offering such services:

We are in discussions with the banks to change that position. What we do is charge the banks for the provision of the network and the transactions their customers do with us. We then share that model with our postmasters.⁹⁰

98. Which? in written evidence to the Committee offered some insight into the use of and perceptions of the Post Office, stating that:

Which? research found that while seven in ten (72 per cent) customers thought it is suitable for the Post Office to offer banking services to UK bank customers, only 55 per cent of adults were aware that they could use Post Offices for banking. And 47 per cent of adults said they are unlikely to bother doing so in the future—retirees (50 per cent) and workers (48 per cent) were more likely to say this than the unemployed (34 per cent). When we asked them to explain their reluctance, a few comments suggested uneasiness that the Post Office sells its own financial products, backed by the Bank of Ireland, though six in ten (59 per cent) said they simply prefer to deal directly with their bank. More than a quarter (28 per cent) were worried about staff expertise in financial services. Others voiced concerns that Post Offices have long queues (42 per cent) and aren't private enough to deal with personal finances (32 per cent). Three-quarters (77 per cent) of those who had previously used a Post Office for banking said they would likely do so again.⁹¹

99. Citizens Advice also raised the issue of lack of awareness of the services that Post Offices can provide:

Our research shows that more than two in five people still don't know about banking at Post Offices. The Government has promoted Post Offices as a solution to bank branch closures, but there has been no reliable review of the quality of the service being provided.

88 Post Office, [The Post Office Network Report 2018](#), March 2018

89 Post Office, [The Post Office Network Report 2018](#), March 2018

90 [Q188](#)

91 [Which? \(CAF0065\)](#) Para 5

[...] The Post Office is well placed to provide a simple range of basic banking services. However, this may not be the case for the wider range of banking services that people need, such as setting up direct debits, which the Post Office doesn't currently offer.

Our previous research raises questions about the reliability of banking services at the Post Office. Despite nearly all customers being able to withdraw cash at the counter, in nearly one in four (23 per cent) visits staff were unsure how to complete a banking transaction. In over one in five (22 per cent) visits customers couldn't access services that should have been available, such as depositing cash.⁹²

100. In its written submission to the Committee, UK Finance stated it undertook two media campaigns, in northwest England and in Dumfries, Galloway and East Ayrshire; in October 2018 to promote the Post Office services and during the same period, the Post Office ran an in-branch campaign to promote awareness of the banking services across all of its branches.⁹³

101. The ability of Post Office staff to cope with the diversity of needs required was also raised in oral evidence to the Committee by Katie Evans, Head of Research and Policy at Money and Mental Health Policy Institute, who said:

It really is about a diversity of needs. Particularly for people with more severe needs, the branch can be a really important part of that puzzle. For us, the Post Office just is not a substitute for that. We know that banks, not universally but broadly, have invested in training their frontline staff and have good protocols developed. A bank cashier and a Post Office clerk are different people with a different range of things they have to do as part of their job. As to whether someone working in a Post Office can give the same degree of support to a person experiencing a particularly serious mental health problem when they turn up a branch looking for help, I am not always convinced.⁹⁴

102. The Scottish Affairs Committee took evidence from banks as part of its own Access to Financial Services inquiry. As part of its evidence, it asked a group of high streets banks what practical steps they were taking to ensure the viability of Post Office services, to which those witnesses were unable to give firm examples.⁹⁵

103. The Committee commends the positive role that the Post Office plays in providing basic banking services to customers, especially in more rural communities.

104. Despite its best efforts, the Post Office is not the optimum environment for consumers, particularly the vulnerable, to carry out their banking requirements for a number of reasons. Post Office staff are primarily trained in dealing with postal inquiries, and are not banking specialists. The Post Office cannot help customers set up basic banking transactions such as direct debits, and the layout of many Post Offices

92 Citizens Advice ([CAF0041](#))

93 UK Finance ([CAF0044](#))

94 [Q94](#)

95 Oral evidence taken before the Scottish Affairs Committee on 30 April, HC (2017-19) 1996, Q202 [Mr Paul Masterson]

is not conducive to giving customers the privacy required to carry out basic banking transactions. In its present form, the role the Post Office plays in providing private banking services to customers can be compared to that of an ATM and should not be seen as a replacement for a branch network, but a complementary proposition where available.

105. There is a general lack of awareness of what the Post Office offers. The Committee welcomes the work done by UK Finance to promote the Post Office in two specific locations, but this campaign should be extended nationwide. Awareness of the Post Office should be considered and monitored as part of the remit of the Financial Inclusion Policy Forum. If awareness does not improve, the Committee will expect the Government to act by launching a nationwide promotional campaign.

106. The Post Office, a Government-owned company, is making a loss on offering its basic banking services on behalf of commercial banks. Such an arrangement cannot continue in its current form. The Post Office should not be subsidising the big six banks' lack of a branch network. In conjunction with its owners (the Department for Business, Energy and Industrial Strategy and the Treasury), the Post Office must ensure it receives adequate funding for the service it provides and places its services on a sustainable footing. If a renegotiation of the current arrangements is necessary to make the scheme profitable, the Post Office should do so, with the full support of the Government.

107. Many small towns and rural areas have seen bank branches close, leaving them with no high street banking services. The bank branches were closed in the knowledge that the Post Office would not be able to provide some key services. In these "last bank" cases, the banks should be required to make provision for "banking hubs" within the local Post Office. The "hub" should be properly funded, with an agreed private and business banking provision set by the Department for Business, Energy, and Industrial Strategy (BEIS) and the Treasury. Postmasters must be trained, equipped and compensated to make the hubs viable. BEIS should make an immediate assessment of what the banking provision should be, the indicative cost per hub, and propose how the banks should fund it.

Use of cash and the impact of ATM closures

108. In July 2018, an independent Access to Cash Review was launched, chaired by Natalie Ceeney CBE, to consider the future of access to cash in the UK.⁹⁶ The Committee took evidence on this report as a separate inquiry on 12 March 2019.

109. The Review's final report, published in March 2019, notes that around 17 per cent of the UK population—over 8 million adults—would struggle to cope in a cashless society.⁹⁷ The Committee received written evidence from the Royal Society for the encouragement of Arts, Manufactures & Commerce (RSA), that many people use cash as a budgeting tool, particularly those on low incomes:

People who rely on cash are far more likely to come from low income households, with cash dependency rising to around 1 in 6 for a household

96 The review was commissioned and funded by LINK, the operator of the UK's ATM network, but was independent from it.

97 Access to Cash Review, [Final Report](#) (March 2019), page 4

with income of less than £10,000 per year. In addition, those on lower incomes seem more dependent on cash for storing their savings as well as for payments. Research from the Family Resources Survey and the Department for Work and Pensions shows that whilst informal savings in cash outside of the banking system remains a niche choice, used by only 3 per cent of households, this preference more than doubles for households on a low income to 7 per cent.⁹⁸

110. When giving evidence to the Committee separately as part of the Committee's Access to Cash Review inquiry, Sian Williams, Director of the Financial Health Exchange, Toynbee Hall, noted the link between a person's income and their reliance on cash in oral evidence to the Committee:

If you are on an income lower than £10,000 per annum you are 14 times more likely to depend on cash than someone who is on an income of £30,000 per annum. We can definitely see that cash reliance increases the lower down the income scale you are.

She went on to explain some of the reasons behind this:

First, if your income is very tight, you need to be able to monitor every penny that moves through your hands and through your household. It is much easier to count with a physical tool than a digital tool. A digital tool can go wrong; it can say in your account that you have a certain amount there, but it has actually failed to account for some payments that are going through, so you can leave yourself short by accident, or you can incur a cost that you were not expecting. If you are budgeting with physical cash, the only way it can go wrong is if someone steals it off you.⁹⁹

111. 90 per cent of cash withdrawals are from ATMs. However, the overall volume of ATM transactions is declining as cash usage in the UK continues to fall.¹⁰⁰ In the face of a continued decline in ATM usage, LINK, the operator of the UK's ATM network, announced changes to the funding and operation of the network in January 2018, in an attempt to boost its sustainability.¹⁰¹ The changes prompted concerns that access to free ATMs in the UK would be materially diminished, leading to consumer detriment. Reporting by LINK shows that between June and December 2018 the number of free ATMs has fallen by 1,500, a fall of approximately three per cent.¹⁰²

112. A survey of over 1,200 Which? members in January 2018, conducted to understand the impact of a potential reduction in free-to-use ATMs on the millions of consumers who use the network, found that:

Four in five (80 per cent) said that access to the free-to-use network was important to their daily lives and paying for goods and services. Removing free-to-use access would leave one in ten (9 per cent) struggling to make payments, shutting many consumers out from local shops and services.

98 The RSA (CAF0040)

99 [Oral evidence taken on 12 March 2019](#), HC (2017–19) 2011, Q10 [Sian Williams]

100 Access to Cash Review, *Final Report* (March 2019), page 14

101 LINK press release, '[LINK moves to secure future of free ATMs](#)', 31 January 2018

102 LINK, '[Statistics and trends](#)', Website accessed, 4 April 2019

A reduction would also lead to one in seven (16 per cent) being deterred from using outlets that accept cash only, placing a strain on consumers and retailers alike.¹⁰³

113. In written evidence, the Association of Convenience Stores echoed the importance of the ATM network. However, they also raised other ways in which consumers can access cash:

Reductions in LINK interchange fees are having a negative impact on access to financial services for vulnerable consumers by reducing the coverage of the ATM network. LINK itself states that there has already been a 2.8 per cent decline (1500 ATMs) in the size of the ATM network from January 2018 to September 2018. The LINK Financial Inclusion Programme is also failing to prevent ATM blackspots and closures of isolated ATMs.¹⁰⁴

114. Positive Money, a not-for-profit research and campaigning organisation, submitted written evidence to the Committee proposing that access to cash should be protected as a statutory duty of the Payment Systems Regulator.¹⁰⁵

115. The Access to Cash Review noted that maintaining access to cash will require policymakers to look beyond the UK's ATM network:

The debate about cash access and use in the UK often focuses very narrowly, just on ATMs. There is no doubt that the UK is starting to see a decline in the number of ATMs, and that problems are arising where people can no longer access cash. But our research shows that this is simply the most obvious symptom—the underlying issues being far bigger and more complex.¹⁰⁶

116. The Review concluded that a stark decline in cash acceptance, rather than cash access, will be what drives the death of cash in the UK if left unaddressed. The Review therefore argues that reducing the costs to retailers and merchants of accepting cash will be necessary to keep cash widely accepted and available. Doing so will require a “rethink [of] the economic model underpinning [cash handling and distribution]” to deliver a simplified and more efficient wholesale cash infrastructure.¹⁰⁷

117. The Review made five headline recommendations and each of these were supported by numerous supplementary recommendations. The headline recommendations and some selected supplementary recommendations are included below:

(1) Guarantee access to cash

- Through wide consultation with stakeholders and consumer groups, a guarantee over the rights of consumers and businesses to access cash should be introduced. A specified body should be tasked with operating this guarantee, and would be required to “step in” in the event that cash services are not being adequately provided.

103 Which? ([CAF0065](#)) Para 12

104 Association of Convenience Stores ([CAF0049](#)) para 16

105 Positive Money ([CAF0061](#))

106 Access to Cash Review, *Final Report* (March 2019), page 6

107 Access to Cash Review, *Final Report* (March 2019), page 7

- (2) Ensure cash remains widely accepted
 - The government should adopt an overt policy position to the effect of “We need to ensure that everyone can use digital payments. However, until digital does work for everyone, cash needs to be supported in the UK economy”.
- (3) Create a more efficient, effective and resilient wholesale cash infrastructure which will support the UK despite declining cash volumes
 - The Bank of England should convene the major UK banks to commission the design of a wholesale cash infrastructure which meets the UK’s needs for the next 10–15 years, with the aim of implementation starting in 2020.
- (4) Ensure that digital payments are an option for everyone
 - Regulators and financial services firms should share responsibility for ensuring that there are solutions being developed which meet consumers’ needs.
- (5) Ensure joined-up oversight and regulation of cash
 - The Treasury should determine what the right regulatory mechanism is for the oversight of the cash system, and a clear government policy on cash should be established.

More information can be found within the Access to Cash Review Final Report.¹⁰⁸

118. It is important that consumers continue to have the freedom to pay for goods and services however they choose. In order to protect that freedom, free access to cash must be maintained for those that need it. While the Committee is concerned by the rate at which free to-use ATMs have been closing, it is clear that these closures are symptomatic of a wider issue. The UK’s cash infrastructure, including but not limited to the ATM network, was designed for a world in which cash is very widely used. As cash usage falls, it is important to consider how this infrastructure can be redesigned to better reflect cash’s declining popularity. The final report of the independent Access to Cash Review contains a number of recommendations to Government, the regulators, and industry which, taken together, are designed to ensure that widespread free access to cash is upheld. The Committee supports these and recommends that the Government, the regulators and industry implement the recommendations that are aimed at them respectively. All the stakeholders involved should provide a timeline for the implementation of the recommendations in their response to this report.

119. If no action is taken, the UK risks inadvertently becoming a cashless society. For a large portion of society, including some of the most vulnerable, this would have stark consequences.

5 The Equality Act and the provision of reasonable adjustments

Compliance and enforcement of the Equality Act

120. The Committee has previously raised concerns that financial services providers are not complying with the Equality Act in the provision of reasonable adjustments, including providing information on how to access information in different formats on all consumer correspondence, including marketing material.¹⁰⁹

121. The Equality Act 2010 requires service providers to make reasonable adjustments for individuals covered by the Act. Section 20 of the Act requires that where a provision [of a service] puts a disabled person at a substantial disadvantage in relation to a relevant matter in comparison with persons who are not disabled, a provider of that service must take such steps as are reasonable to avoid the disadvantage. Section 20 (7) states that the provider of a service is not “entitled to require a disabled person to pay to any extent of the provider’s costs of complying with the duty”.¹¹⁰ Section 29 of the Act states that: “a service-provider concerned with the provision of a service to the public must not discriminate against a person requiring the service by not providing the person with the service”.¹¹¹

122. In oral evidence, Eleanor Southwood, Chair of the Royal National Institute of Blind People, made it clear that the regulators should be using their “teeth” to enforce the Equality Act:

We welcome the focus on best practice and so on, but actually the FCA does have considerable powers in terms of standards. We are not talking about standards that are nice to have and gold-plated services. This is about whether you can see how much money you have in the bank and make your own financial decisions. We would very much like to see them use the teeth that they have to a greater extent. It is great to remind the regulated firms that they have a responsibility, but we do have equality legislation. There is a duty. This is absolutely the realm we are in.

Similarly, on the work of the Equality and Human Rights Commission. It is a bit carrot and stick, I think. Of course, enforcement, probably through the FCA, is really, really important, but so is helping banks to understand what the solutions might be. We really want to see all financial institutions working increasingly with organisations like those the three of us are representing today to get it right first time. Updates are constant on websites. This is not something that a bank will do once every five years; this is an everyday event and everyday responsibility.¹¹²

109 [Letter](#) from Lord Tyrie, former Chair of the Treasury Committee, to Andrew Bailey, Chief Executive of the FCA, 31 October 2016, [Letter](#) from Rt Hon. Nicky Morgan MP, Chair of the Treasury Committee, to Andrew Bailey, 28 March 2018

110 Equality Act 2010, Part 2, [Section 20](#)

111 Equality Act 2010, Part 3, [Section 29](#)

112 [Q90](#)

123. The Equality and Human Rights Commission (EHRC) website states that it is:

The regulatory body responsible for enforcing the Equality Act 2010 [...] we also have a range of enforcement powers [...] They range from guidance and assistance to investigations and court action. [...] We only use our legal or enforcement powers when it is the best way to achieve change, such as:

- to clarify the law, so people and organisations have a clearer understanding of their rights and duties
- to highlight priority issues and force these back to the top of the agenda
- to challenge policies or practices that cause significant disadvantage, sometimes across a whole industry or sector

To do this, we use the courts and tribunals to secure binding, positive judgments that reinforce, strengthen or expand people's rights.¹¹³

124. However, Andy Goldsby, Community and Partnership Manager at the Equality Advisory Support Service (EASS), explained that in order to force a company to comply with the Equality Act, that person as an individual needs to take the company to court:

The Act itself empowers the individual to take a complaint. In this situation, if it is access to services, that would be to county court, or sheriff court in Scotland.¹¹⁴

125. The Committee asked Rebecca Hilsenrath, Chief Executive of the EHRC, whether enough was being done to ensure that reasonable adjustments were being made for customers who may not be able to complain about their ability to engage with the bank. She told the Committee that in its strategic plan the EHRC was “looking at a very small number of strategic priorities, and they would not be focusing on financial services.”¹¹⁵ Such issues were not a “strategic priority” of the EHRC.¹¹⁶

126. When the Committee took evidence from the EHRC, FCA and the EASS, it was unclear which of the statutory bodies was taking active responsibility for dealing with issues raised by the public, and which was responsible for enforcing the Equality Act when breaches of the Act occurred. Rebecca Hilsenrath told the Committee that a member of the public should “complain to the Equality Advisory Support Service”.¹¹⁷

127. However, Andy Goldsby of the EASS argued that it was not responsible for enforcing the Act, and only provided assistance:

The remit of the EASS is initially to give advice to individuals who have experienced discrimination, not just with access to services, but in all areas that the Equality Act covers. [...] We would give them advice about the rights they are likely to have, so in particular we would make reference to the reasonable adjustment duty, and then set them on their way with an initial action plan. We have things like template letters that are available to

113 Equalities and Human Rights Commission, [‘Our powers’](#), accessed 8 April 2019

114 [Q261](#)

115 [Q266](#)

116 [Q289](#)

117 [Q258](#)

individuals on our website. If an individual would struggle to communicate with the organisation, we are likely to do that for them, but at an informal stage.¹¹⁸ [...] We cannot enforce compliance at all.¹¹⁹

128. In a letter to the Committee the FCA wrote that it, too, was not responsible for enforcing the Equality Act:

The FCA does not have a direct role to enforce the Equality Act 2010, this is the role of the EHRC.¹²⁰ [...] We would not, for example, normally expect to use our rule-making, supervisory or enforcement powers to set standards in respect of, or to address, equalities issues, except where the conduct of a firm called into question whether consumers had been treated fairly under our rules. Whether individuals had been discriminated against under the Equality Act 2010 as a result of their protected characteristics, would, therefore, be a matter for the EHRC.

129. The FCA letter went on to say that the Equality Act can inform the Financial Ombudsman's investigations, but that it was not responsible for enforcing the Act:

The Financial Ombudsman Service (FOS) is in place to resolve disputed complaints between consumers and financial services firms. The FOS is required to do so by considering what is "fair and reasonable" in all the circumstances. In doing so, it must take account of a number of factors, including relevant law. This could include the Equality Act 2010. The FOS maybe able to award "fair compensation" if it considers the firm has not acted fairly and reasonably. However, it is not the FOS's role to determine legal liability. As such, it is not the FOS's role to make a finding of discrimination under the Equality Act 2010.¹²¹

130. In a letter to the Committee, Caroline Wayman, the Financial Ombudsman wrote:

In accordance with the legislation and rules, the Ombudsman would be making a decision on what is fair and reasonable in all the circumstances of a complaint. It is not for the Ombudsman to make a formal finding the Act is engaged or has been breached. Findings on matters of law are reserved for the courts. [...] If we had concerns following on from individual cases then we would be likely to contact the Financial Conduct Authority or the EHRC, but we do not take cases to court on a consumer's behalf if they are looking to get a formal ruling from a court that the Equality Act has been breached.¹²²

118 [Q259](#)

119 [Q260](#)

120 Financial Conduct Authority ([CAF0081](#))

121 Financial Conduct Authority ([CAF0081](#))

122 [Letter](#) from Caroline Wayman, Chief Ombudsman, to Rt Hon. Nicky Morgan MP, Chair of the Treasury Committee, 18 March 2019

131. The EHRC is the statutory body for enforcing the Equality Act and has statutory powers for doing so. However, it has confirmed to the Committee that it does not have the relevant resources or expertise to investigate each individual case where a financial services provider is potentially in breach of the Equality Act, or is failing to provide reasonable adjustments, and that therefore such issues were not one of its strategic priorities. At present, no other statutory body has the power to enforce the Equality Act. As a result, the only recourse available to individual consumers is to take financial services providers to court themselves. This is unacceptable. To expect vulnerable individuals to be able to take their financial services provider to court in order to enforce their rights under the Equality Act is absurd. Taking a high street bank to court would be prohibitively expensive and daunting for an individual. Given the FCA told the Committee it does have the expertise and resources, the Government should give the FCA the power to take on the enforcement of individual cases relating to financial firms' compliance with the Equality Act, in addition to the EHRC.

Reasonable adjustments

132. The Committee asked Rebecca Hilsenrath how the EHRC define a reasonable adjustment. She explained that the EHRC does not define what a reasonable adjustment should be:

It is less about how I would define it but, in any one circumstance, it is ultimately about how the courts would define it. In relation to financial services and a reasonable adjustment that needs to be made for a disabled customer, the court would look at all the surrounding circumstances. They would be a combination of the needs of the customer and the disadvantage they might encounter if it were not made, against the disruption to the business, the cost of it and so on and so forth.¹²³

She also explained that the Equality Act requires companies to anticipate what consumers may need in advance, rather than acting retrospectively:

Reasonable adjustments are an anticipatory duty, so it is about financial services being aware of those needs and putting adjustments into effect in advance.¹²⁴

133. The Committee considered a number of areas where some parts of the financial services industry were failing to provide reasonable adjustments and areas where adjustments were necessary.

Use of interpreters and sign language

134. At the Committee's outreach event in Newcastle the Committee received evidence that translation services, interpreters, or British Sign Language (BSL) interpreters were not available from all financial services providers. In addition, many financial services providers would not talk to friends and family owing to concerns that the consumer may be under duress.¹²⁵

123 [Q281](#)

124 [Q281](#)

125 [Treasury Committee \(CAF0083\)](#)

135. When the Committee took evidence from financial services providers, Robin Bulloch, Managing Director, Lloyds Bank and Bank of Scotland Retail, confirmed that Lloyds Bank did offer interpreters and facilities to communicate in BSL in online video conversations:

As you would expect, we have induction loops in all our branches. Much of the content is online and we have signers' video content to convey the key elements of the information. If a customer wishes to have a discussion in one of our branches using a signer, they can either bring somebody in who can work with them and communicate with us, or we will provide a signer and cover the costs, up to £200, for the provision of a signer. There is absolutely access that way.

[...] Where the customer has indicated that they are vulnerable or we have entered into a discussion with them around a perception of their vulnerability, we can record support needs. One example of that is if the customer needs support through the use of a signer or they need longer meetings. If they contact one of our centres and go through the standard verification, we are happy to have a family member or friend speak to us on their behalf.¹²⁶

136. The evidence gathered at the Committee outreach event in Newcastle suggested that even if services such as the use of interpreters were available, often staff in branches were not aware of it, and customers were not made widely aware of it.¹²⁷

137. Andy Goldsby told the Committee that the cost of providing BSL interpreters was prohibitive for service providers across a number of industries:

This issue does not just affect the financial services industry. For people booking appointments to see an optician or interacting with their GP, the element it always comes back to when it comes to BSL interpretation is that it is cost-prohibitive to provide an interpreter. People try to rely on the "reasonable" element of the adjustment duty to say that it is not reasonable because it is too expensive. That is our experience from the types of calls we are getting, so it is not just financial services; it seems to be across the board.¹²⁸

138. Rebecca Hilsenrath told the Committee the EHRC would expect banks to provide a foreign language interpreter or a BSL interpreter, but did not want to be prescriptive:

I would expect a bank or financial services provider to ensure that, in designing their services and systems, they include those who are hard of hearing in their consultation processes and design their processes around that.¹²⁹ [...] As well as the needs of the individual customer, it also depends on the size of the institution. How big is the bank? What are its other

126 [Q200–201](#)

127 Treasury Committee ([CAF0083](#))

128 [Q292](#)

129 [Q287](#)

obligations? What are its resources and what is its customer profile? I would expect a reasonable and conscientious bank to know all that information and ensure that it had it.¹³⁰

139. The Committee is of the view that providing British Sign Language interpreters—with notice—should be considered as a reasonable adjustment under the Equality Act and therefore non-compliance should be enforced by the Equality and Human Rights Commission. The argument that providing British Sign Language could only be classed as reasonable in the context of the size of a firm would excuse smaller firms from providing services to people with hearing loss.

140. Financial services providers should act immediately to ensure that with notice, interpretation services are made available to consumers, both for British Sign Language users and those for whom English is not their first language, as a matter of urgency. Firms must also make more effort to alert customers to the existence of such services, and how they can access them, and ensure that staff in all branches are aware of the existence of these services. The FCA should make it clear to financial services providers that such provision is expected of them under its treating customers fairly principle. This requirement would be even more explicit if firms had a legal duty of care to their customers.

Physically accessible infrastructure

141. In oral evidence sessions (as well as the outreach work undertaken by the Committee in London and Newcastle) the issue of talking ATMs was raised. Eleanor Southwood, Chair, Royal National Institute of Blind People (RNIB), told the Committee about the difficulties for visually impaired people of dealing with ATMs and chip and PIN machines:

The frustrations people have with arriving at an ATM and finding that it does not speak are enormous. They also use headphone jacks, which are 3.5mm jacks, which most mobile phones are now phasing out. Also, of course, digital [touchscreen] cashpoints are coming in. People are anxious about how they will get their money when it is all [touchscreen], and how they will pay for things when chip and PIN is also touchscreen. That is a huge concern.¹³¹ [...] It is a challenge, if you cannot see, to be faced with a new and different machine every time you go to pay for something. It is even worse if you cannot put in the numbers independently. We are profoundly disappointed with the lack of engagement by the industry and manufacturers on this issue.¹³²

She went on to relate an example of how this had affected her personally:

The other day I got into a taxi and had to pay on my card. It was a touchscreen. I just had to give the driver my PIN. That is a deeply unsatisfactory arrangement. Why on earth should somebody who cannot see be putting themselves at that level of risk of financial crime, just because it is not accessible? That is a huge area of concern.¹³³

130 [Q288](#)

131 [Q74](#)

132 [Q89](#)

133 [Q89](#)

142. In correspondence LINK told the Committee that out of the 63,000 ATMs in the LINK network, only around 17,000 provide audio assistance.¹³⁴

143. Eleanor Southwood also raised the issue of tactile credit or debit cards and paper money:

The RNIB worked directly with the Bank of England on the new notes. I know there is a mixed view out there about the notes themselves, but the tactile markings on the notes have been incredibly positively received. It is much easier now to identify what money you have. Cards are a bit more of a mixed bag. Flat cards are starting to arrive. That poses a challenge for people who use the tactile markings to be able know which way in the cash machine to put the card, for example, whether it is your store card, your Boots Advantage card or your credit card.¹³⁵

144. A further issue for blind or partially sighted people was the use of chip and signature cards. Eleanor Southwood told the Committee such machines had not been rolled out to all Post Offices:

Often, people are signposted to the Post Office. Lots of, particularly older, blind and partially sighted people prefer to use a chip and signature card. You cannot do that in the Post Office, because the transaction is closer to buying something, rather than a financial transaction, if you like. Again, you find that people are excluded.¹³⁶

145. The Pay Your Way website, a campaign run by Payments UK, a body representing the payments industry, states that chip and signature cards should be accepted everywhere:

Retailers who take card payments are obliged to accept chip and signature cards. The 2010 Equality Act has reinforced the legal responsibility for all businesses to cater for disabled customers—and this includes accepting a chip and signature card. In addition, Visa and MasterCard have rules in place that require retailers to accept all genuine transactions that are made using their branded cards. Every PIN terminal is designed to accept chip and signature—simply put the card into the PIN terminal and the retailer will be automatically prompted to ask for your signature. If you encounter a shop that says they don't accept it, ask them to insert the card and follow the prompts. Your card should never be rejected simply because it is chip and signature.¹³⁷

146. The European Accessibility Act¹³⁸, an EU Directive, was approved in the European Parliament on 13 March 2019 and will come into force once adopted by the Council of Ministers. Section I of Annex 1 to the Directive prescribes that products that “provide

134 Office of the Public Guardian ([CAF0089](#))

135 [Q74](#)

136 [Q89](#)

137 Pay Your Way, '[Chip and signature - Plain text guide](#)', accessed on 8 April 2019

138 Formally known as The Directive of the European Parliament and of the Council on the accessibility requirements for products and services

communication, including interpersonal communication, operation, information, control and orientation, shall do so via more than one sensory channel; this shall include providing alternatives to vision, auditory, speech and tactile elements.”¹³⁹

147. **The Committee is concerned that almost three quarters of ATMs do not offer audio assistance. ATMs that do not have the capability to “talk” or ATMs that have a touch screen rather than physical buttons with Braille, are not accessible for visually impaired consumers. It is concerning that the RNIB (and other charities representing disabled people) have not been consulted on the roll-out of this new generation of ATMs. The European Union Accessibility Act which is due to come into force in April 2019 sets out what is required from ATMs to make them accessible. Given the UK Equality Act creates an anticipatory duty on providers to implement reasonable adjustments for consumers, the Committee expects ATM manufacturers and providers to make the adjustments set out in the EU Accessibility Act, irrespective of whether the UK remains in the EU while this Act is implemented. The Committee expects the Payment Systems Regulator to set out in response to this report whether it will mandate firms to do so.**

148. **The roll out of credit and debit cards that are not tactile, and therefore offer no way for visually-impaired consumers to tell which way round they need to be inserted into ATMs, is a backward step by financial services providers. The Committee recommends that the FCA should mandate that all debit and credit cards have tactile markings as soon as possible.**

149. **The roll out of touchscreen chip and PIN pads, which cannot be used by blind or partially-sighted customers, is another backward step by the payment infrastructure industry for those who rely on tactile buttons. It is unacceptable that partially-sighted customers might have to tell vendors their PIN in order to be able to pay with chip and PIN. As with ATMs, the European Accessibility Act sets out what is required to make payment terminals accessible. The Committee expects payment terminal manufacturers and providers to make the adjustments set out in the EU Accessibility Act. The Committee expects the Payment Systems Regulator to set out in response to this report whether this will be done.**

150. **If the Post Office is to be used as a cash provider of last resort in communities where all other ATMs and bank branches have been closed, it must offer chip and signature in every Post Office branch in order to meet its obligations under the Equality Act to provide customers with reasonable adjustments.**

Accessible communications

151. At outreach sessions in London and Newcastle, the Committee heard that it is important for all consumers to have the ability to communicate with financial services providers.¹⁴⁰ In written evidence, the Financial Services Consumer Panel described the standard method of bank communication:

139 Annex 1 of the Act Directive (EU) 2019/... of the European Parliament and of the Council of 17 April 2019 on the accessibility requirements for products and services

140 [Treasury Committee](#) (CAF0083)

Banks can sometimes ask customers about their communication needs (often with a limited range of options such as braille) but rarely ask about their communication preferences. If a wider range of options was available to all customers (including email), this would enable vulnerable customers to choose their preferred communications channel without stigma.

Those with mental health difficulties have specific communication needs ranging from the need to see a financial professional face-to-face, to not being able to speak to someone in person at all. With the increase of bank branch closures, clearly some of the most vulnerable will struggle to access financial services independently.¹⁴¹

152. Similarly, the Money and Mental Health Policy Institute provided written evidence to the Committee explaining that people with mental health problems can find certain communication channels difficult to engage with:

People with mental health problems often experience difficulties communicating in certain ways. Three quarters of people who have experienced mental health problems find at least one common communication channel distressing or difficult to engage with. Some are phobic about using the telephone, opening letters or face-to-face contact with firms. Others need the reassurance of a real person and may not trust chatbots or even webchats with human operators. These difficulties can prevent people from receiving information, and can quickly lead to missed payments and other problems.

153. Eleanor Southwood highlighted two issues where blind or partially sighted consumers experience difficulty when trying to receive accessible communications:

The first is access to information. That is about getting your bank statements in a format that you can read. It is also about being able to communicate to the bank in the way that works for you. It is about making sure there is a consistent service across different products in one bank. We certainly know of examples where everything to do with your current account is absolutely fine, but if you go for a mortgage, suddenly you do not have that consistency of accessibility. [... Another] area is around websites, apps, the ways information is presented and the ways you can interact with it. We are still retrofitting accessibility to websites. Very often, a website update will be a downgrade as far as our community is concerned. You have to learn it all over again. If a website is not accessible, that drives you to your local branch, and we know that branch closures are a major concern too.¹⁴²

154. In a letter to the Committee, Christopher Woolard, Executive Director of Strategy and Competition, FCA, confirmed that the FCA was not going to prescribe how firms communicate with vulnerable customers:

Our forthcoming vulnerability guidance, on which we plan to consult this year, will clarify how we expect firms to treat vulnerable consumers, including guidance on how to comply with Principle 7 of our Principles for

141 Financial Services Consumer Panel ([CAF0060](#)) para 26

142 [Q74](#)

Businesses, which states that firms must pay due regard to the information needs of their clients. We would not however set standards or provide guidance on how firms should communicate with customers in order to meet their obligations under the Equality Act 2010, for example, whether particular formats or channels of communication must be made available. These are matters that are generally beyond our role and expertise as a financial services regulator, and where other bodies, such as the EHRC and EASS would be better placed to act.¹⁴³

However, as explained earlier in this Report, the EASS is not responsible for providing guidance or issuing opinions on compliance with the Equality Act or enforcing companies' compliance with the Equality Act.¹⁴⁴

155. When the Committee asked Christopher Woolard why the FCA was choosing not to set standards or guidance on how firms communicate with customers, he said the FCA was trying to focus on the culture of firms towards vulnerable people rather than being prescriptive:

[The FCA] takes a very broad view of what constitutes vulnerability. In that set of circumstances, there is a practical limit to where we could set out, in very clear binding rules or guidance, exactly what you should do in every single circumstance. Many [vulnerable customers] will have very individual circumstances, and we are trying, with our own focus on vulnerability, to create a culture in which we set an expectation for firms in which they have to think about this. They have to apply some basic principles and thinking here, then say how this plays out in the circumstances of the individual customer in front of them.¹⁴⁵

156. The Equality Act requires companies to take “steps for ensuring that in the circumstances concerned the information is provided in an accessible format”.¹⁴⁶ The Committee has received evidence that some firms do not provide information on their correspondence to enable customers to request accessible formats of the correspondence. Annex I to this report includes an example of a leaflet published by Halifax that includes information to how customers can request the information in a variety of alternative formats.

157. Section III of Annex 1 to the European Accessibility Act prescribes “The provision of services in order to maximise their foreseeable use by persons with disabilities, shall be achieved by:

- (i) making the information available via more than one sensory channel;
- (ii) presenting the information in an understandable way;
- (iii) presenting the information to users in ways they can perceive;

143 Financial Conduct Authority ([CAF0081](#))

144 See paragraph 121

145 [Q263](#)

146 Equality Act 2010, [Section \(20\)\(6\)](#)

- (iv) making the information content available in text formats that can be used to generate alternative assistive formats to be presented in different ways by the users and via more than one sensory channel;
- (v) presenting in fonts of adequate size and suitable shape, taking into account foreseeable conditions of use and using sufficient contrast, as well as adjustable spacing between letters, lines and paragraphs;
- (vi) supplementing any non-textual content with an alternative presentation of that content; and
- (vii) providing electronic information needed in the provision of the service in a consistent and adequate way by making it perceivable, operable, understandable and robust;¹⁴⁷

158. As set out in more detail in paragraph 181 of this report, The Money and Mental Health Policy Institute told the Committee that using a universal design approach would prevent many issues around accessible communications in the first place:

By ensuring that communications are accessible, even to those with particular problems understanding, regulators can reduce harm for those with mental health problems and benefit consumers more broadly with simpler information.¹⁴⁸

159. If firms designed their communications in the first instance to be accessible to all customers using a universal design approach, many of the difficulties faced by vulnerable consumers as a result of inaccessible communication from their financial services provider would be removed.

160. All financial services providers should ask customers proactively what their preferred method of communication is and ensure that this is the primary way with which they are communicated in every instance. In addition, providers should make themselves aware of consumers' changing preferences over time.

161. The Committee recommends that the FCA acts to ensure that alternative methods of communication including Braille and Moon tactile fonts, large print and audio format are made available to consumers. In addition, the way in which to access these methods should be made clear, in large print, on all communications, including marketing material and terms and conditions.

162. The Committee is concerned that the FCA has not chosen to set standards or issue guidance, and is instead relying on a principles-based approach to require firms to provide their customers with the communication channels they are entitled to by law. A principles-based approach, with no active enforcement, will not deliver the outcomes that vulnerable or disabled customers need. When its guidance is published, the FCA should set a minimum level of communication channels or methods that firms are required to offer to their customers, and include a clear requirement for firms to provide information in all the formats set out in paragraph 161.

147 The European Accessibility Act Annex I

148 Money and Mental Health Policy Institute ([CAF0047](#)) page 5

163. **The European Union Accessibility Act will set standards of how accessible banking providers' websites will need to be. Irrespective of the UK's relationship with the EU, the Committee expects financial services providers in the UK to, at a minimum, meet the requirements set out in the Accessibility Act. The Committee expects the FCA to monitor compliance of firms with these requirements, and to work in regular collaboration with relevant organisations such as the Royal National Institute of Blind People to ensure that firms continue to meet legal requirements in the future, and that as new issues arise, the FCA is made aware of them.**

164. **If the EHRC or the FCA is unable to enforce the provision of marketing or direct communication materials in accessible formats through the Equality Act, the Committee recommends that the Government amends the Equality Act to put in place a legal obligation on financial services providers to provide alternative methods of communication including Braille and Moon tactile font, large print and audio format for consumers, and give powers to the FCA to enforce such a regulation.**

Use of plain English to simplify communications

165. The National Literacy Trust state that 7 million people can be described as having 'very poor literacy skills'.¹⁴⁹ For such people, reading terms and conditions and other communications from financial services providers can be extremely challenging. Fair by Design, a campaign to raise awareness for the higher costs of services for people on lower incomes, submitted evidence to the Committee with examples of how customers found it hard to understand the information their bank was providing them:

Lucy: "I have often felt confused by the way my bank communicates to me. At the ATM they say you've got this amount but the amount you've got to spend is different. It can be confusing. They don't write pending [transactions]. I need to see it black and white on the screen."

Sarah: "Sometimes I wish they would write simpler. Not a lot of people have someone else in the house to help with understanding the words they use, say on bank statements. Like Elderly people. Or people with [learning] difficulties. Even teenagers often don't understand."¹⁵⁰

166. The Committee did receive evidence that financial services providers have already changed terms and conditions to make them simpler to understand. When giving evidence to the Committee, Robin Bulloch told the Committee that Lloyds was working on improving the clarity of their communications with customers but it was not a simple task:

We recognise that much of the literature we provide, largely driven by regulation and other factors, is quite complex. We have a major programme underway; we have 40 people looking at this in the plain English team. They are looking to reduce the reading age of all the material from the bank from an average of 18 and above to 11.¹⁵¹

149 National Literacy Trust, '[Adult literacy](#)', accessed on 8 April 2019

150 [Fair By Design \(CAF0050\)](#)

151 [Q204-206](#)

167. Tom Blomfield, Chief Executive and founder of Monzo, a smaller start up bank, told the Committee:

We work very hard to ensure that all our written content is as accessible as possible, so we have a Clear & Simple Mark by Fairer Finance. Our terms and conditions are under 1,000 words, with a reading age of eight, so we have worked very hard there.¹⁵²

168. Christopher Woolard told the Committee that the average level of literacy in the UK is that of an 11 or 12 year old, which implies an understanding of basic percentages and fractions.¹⁵³ However, he told Committee the complexity of the concepts involved in banking was only one part of the problem, the length of terms and conditions was another:

There is a much broader question around the complexity generally of terms and conditions, as well as sometimes the way in which products are presented and sold.¹⁵⁴

He also told the Committee the FCA had undertaken an exercise to see how much text was actually required in a firm's terms and conditions:

We sat down with their current account terms and conditions and that document was the size of Charles Dickens' A Christmas Carol. At the end, you sign and say, "I have understood all of these terms and conditions". When we went through it, a side and a half of A4 in normal type were regulatory requirements. The rest of it had all been put in by successive generations of general counsel at that firm, and no one had ever had an incentive to take words away.¹⁵⁵

169. The Committee welcomes the spirit of the efforts made by financial services providers who have begun to simplify and reduce the length of their terms and conditions. However, significant further steps are required to ensure that communications are accessible to all customers. The Committee recommends that all financial services providers reduce the length of their terms and conditions, and reduce the required reading age of all their communication material to that of the average reader, which the FCA told the Committee is that expected of an 11 to 12 year old.

170. The Committee recommends that the FCA issues guidance to all financial services providers instructing them to ensure that all their communications with their customers—especially terms and conditions—are written in language that an average consumer can read and understand in full. The FCA should consider reviewing progress made by firms on simplifying their terms and conditions on a regular basis. The Committee will monitor FCA progress on this matter in future evidence sessions.

152 [Q203](#)

153 [Q295](#)

154 [Q295](#)

155 [Q295](#)

6 Defining vulnerability

171. The Financial Conduct Authority (FCA), the UK's financial services conduct regulator, has an agreed definition of who constitutes a vulnerable consumer, stating that they are:

Someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care.¹⁵⁶

172. This definition of vulnerability is quite broad, and the Committee therefore took evidence on whether such a definition is workable in practice. When giving oral evidence to the Committee, Christopher Woolard, Executive Director of Strategy and Competition at the FCA, explained why a broad definition of vulnerability was needed:

It requires people to start from a broad definition because, if you take it at its broadest, up to 50 per cent of customers could be potentially vulnerable at any one time. The actual detriment that we will see will be far smaller than that number, but we think it is workable, in the sense that, if we look at how vulnerability expresses itself in financial services, it is far wider than the protected characteristics. For example, people who have suffered a recent bereavement are particularly vulnerable. Individuals who have a low level of financial literacy will be particularly vulnerable, just by the nature of their circumstances. We have to find a way to capture that and get people to think about and engage with those circumstances, but we believe that is the right starting point.¹⁵⁷

173. The Committee received a range of views from charities and trade associations who broadly welcomed the FCA's work on defining vulnerability, but also raised concerns about how the definition is applied across industries. In oral evidence to the Committee, Matthew Upton, Head of Policy for Consumer and Public Services at Citizens Advice said that:

This is a really difficult area, because I understand in many ways the bind that firms feel they are in. There is almost this ping pong back and forward between very static definitions of vulnerability that give everyone clarity—you know as a firm who the vulnerable groups are, and if you look after them you are fine—and the incredibly dynamic definitions where people fluctuate in and out. The dynamic definitions are very good. We get into unhelpful territory when, rightly, people say that everyone can be vulnerable in different circumstances.¹⁵⁸

174. The Financial Inclusion Commission, an independent body that campaigns on financial inclusion, called for a 'whole systems' approach to defining vulnerability:

Consumers' needs cannot be segmented artificially in order to fit how regulators and government divide their respective responsibilities. The issue of consumer vulnerability, as reflected by the FCA's definition, highlights

156 FCA, [FCA Mission: Approach to consumers](#), July 2018

157 [Q271](#)

158 [Q4](#)

how consumers' personal circumstances influence their financial behaviour. Money and financial products and services do not sit in isolation away from the rest of [consumers'] lives. This calls for a 'whole systems' approach where regulators and government work together, in the latter case across departments.¹⁵⁹

175. In written evidence to the Committee, the Building Societies Association commented that the new vulnerability guidance from the FCA means that financial services providers need to make value judgements:

We are concerned that this new approach moves away from focusing on consumers' needs as individuals towards a broader consumer protection-based agenda. An example of this is the call by mental health charities that there should be more intervention where individuals make unwise spending decisions while affected by their mental health condition. This pushes firms to make value judgements as to what is "unwise" against the principles of the Mental Capacity Act. It is also unhelpful that the FCA's categorisation does not cover vulnerability to crime, although regulators, such as the Payment Systems Regulator, are focusing on this.¹⁶⁰

176. The Financial Services Consumer Panel, an independent statutory body, set up to represent the interests of consumers in the development of policy for the regulation of financial services, presented a different possible approach to defining vulnerable consumers:

A better starting point would be the European Commission definition of vulnerable consumer, which explicitly acknowledges the market environment—and in particular firm behaviour—as a source of vulnerability, alongside personal characteristics and situations. This is a better way of identifying and addressing vulnerability to harm while at the same time preventing firms focusing on some groups of consumers to the detriment of others who are not badged as 'vulnerable'.¹⁶¹

177. In addition to the FCA's broad definition of a vulnerable customer, Nisha Arora, Director of Consumer and Retail Policy at the FCA, assured the Committee the FCA also operates a series of indicators that could signpost potential vulnerability:

We have set out various indicators of potential vulnerability, and they are broad. They go from health through to life events, such as bereavements, through to low financial capability and low resilience. We think that is the right approach. We do not want to take a narrow approach, because vulnerabilities take all sorts of forms and that is recognised by industry.¹⁶²

178. In order to help firms meet the FCA's expectations, and their own obligations to treat vulnerable customers fairly, the FCA has consulted on its definition and indicators of vulnerability, and will be producing guidance this Spring.¹⁶³ This guidance will include

159 [Evidence submitted by the Financial Inclusion Commission](#) (CAF0052) Page 4

160 [Evidence submitted by the Building Societies Association](#) (CAF0022) para 7

161 [Evidence submitted by the Financial Services Consumer Panel](#) (CAF0060) para 9

162 [Q271](#)

163 [Q273](#)

“the customer journey from identification, through to fair treatment, through to redress and recourse in the treatment of consumers, [...] guidance on training and how firms need to embed the right culture in their organisations.”¹⁶⁴

179. UK Finance, a trade body for UK financial services, submitted evidence to the Committee stating that the industry required clarification from the FCA:

The industry has previously asked the FCA to provide greater clarity of its expectations of firms with respect to customers in vulnerable circumstances. We therefore support the FCA's intention to do so through a more balanced definition of 'vulnerability,' per its forthcoming vulnerability consultation and guidance, for intervention and enforcement purposes.¹⁶⁵

180. The Committee received specific examples of ways in which guidance issued by the FCA could be clearer or more prescriptive. The Association of Mortgage Intermediaries wrote:

Over recent years the FCA has become more reluctant to issue guidance for fear of judicial review, which is unhelpful for firms. Instead of introducing a general and non-specific duty of care, firms would benefit from further guidance. For example we have asked for guidance on the Insurance Distribution Directive (IDD) as the FCA could have done more to engage with firms to help them understand the requirements. [...] As a trade body we communicated with our firms, which should have been the responsibility of the regulator.¹⁶⁶

Responsible Finance submitted evidence stating:

The Financial Conduct Authority needs to provide more guidance on what they deem an appropriate way to deal with loan applications by customers who have been identified as vulnerable. It is a highly subjective area and the regulatory boundaries are unclear at present. For example, vulnerability can become a risk issue: should you lend to someone who has disclosed that they have terminal cancer?¹⁶⁷

181. The Committee broadly welcomes the FCA's work to define vulnerability and recognises that the FCA's broad definition of vulnerability allows it to include not just those individuals who may be permanently vulnerable, but also those who are vulnerable due to their temporary circumstances.

182. The FCA must set clear expectations of how financial service providers should treat vulnerable consumers under its definition, through the guidance it plans to publish across all sectors that it regulates.

164 [Q274](#)

165 [Evidence submitted by UK Finance \(CAF0044\)](#) Page 3

166 [AMI \(CAF0071\)](#)

167 [Responsible Finance \(CAF0056\)](#)

Disclosing vulnerabilities

183. The Committee considered the issue of consumers having to disclose their vulnerabilities to financial services providers in order to receive appropriate treatment. In its written submission to the inquiry, UK Finance stated that:

While the industry recognises it has a role in identifying the signs of vulnerability, there is also a need to encourage greater disclosure from consumers in order to secure appropriate support.¹⁶⁸

184. However, a number of organisations were opposed to increasing the emphasis on consumer disclosure, stating that placing the emphasis on consumers increased the potential for consumer detriment. The Money and Mental Health Policy Institute explained that:

[Many people] do not feel comfortable telling firms about their mental health. Support services reliant on disclosure, or which require someone to make a telephone call, are inaccessible to many consumers with mental health problems. Money and Mental Health favours a universal design approach to these accessibility problems. By ensuring that communications are accessible, even to those with particular problems understanding, regulators can reduce harm for those with mental health problems and benefit consumers more broadly with simpler information.¹⁶⁹

185. In its written submission, The National Aids Trust agreed with the Money and Mental Health Policy Institute, writing:

Any strategy to identify vulnerability which relies on disclosure will undoubtedly miss a significant proportion of people living with HIV and could put vulnerable consumers at risk of harm. The [universal design] approach involves considering the additional needs of those who may be vulnerable, and working to make services as broadly accessible as possible—with the additional benefits of making services simpler and easier to access for those who are not currently in vulnerable circumstances.

However, it is also important that guidance focuses on how financial services providers should respond when a consumer does share information about their medical condition. This is particularly important for conditions that are stigmatised, such as HIV and mental health problems. Service providers should be adequately trained to respond sensitively to disclosures of pre-existing conditions, and understand what support is available to these customers.¹⁷⁰

186. As discussed earlier in this report in chapter three in relation to access to insurance, the Committee also received evidence that consumers may not wish to disclose conditions due to subsequent unfavourable pricing.

168 [Evidence submitted by UK Finance \(CAF0044\)](#) Page 3

169 [Money and Mental Health Policy Institute \(CAF0047\)](#) page 5

170 [NAT \(National AIDS Trust\) \(CAF0051\)](#) para 4.7

187. Nisha Arora, Director of Consumer and Retail Policy, FCA, told the Committee that, while a lack of disclosure created difficulties for firms, they still had more work to do in identifying vulnerable customers where such customers may understandably be unwilling to disclose their particular circumstances:

Sometimes consumers will disclose, but we know from our research that there are a number of reasons why they do not want to disclose. [...] I would not expect a firm to be able to identify every consumer, particularly those who do not disclose, but we think they should have the policies and practices in place that can enable identification. They need to make an effort to identify their customers and really understand customer needs, in particular the needs of vulnerable consumers. There are a number of ways they can do that. We have seen really good examples of frontline training, where people are actively listening and are trained, as our contact centre is, to look out for the triggers of vulnerability. It is slow, but we are seeing firms starting to use data and analytics to identify patterns and trends that can identify potential vulnerabilities, where people might be spending slightly differently.¹⁷¹

188. There are many reasons why consumers may not wish to disclose their particular circumstances to their financial services providers. This lack of disclosure may cause providers difficulties in identifying which of their customers require additional support. Nonetheless, it is beholden on firms to know their customers and create a culture from top to bottom where consumers feel comfortable discussing what their specific needs might be, in the knowledge that those needs will be met. Firms should design their interactions with customers to enable them to identify their customers' vulnerabilities, and they must not use a customer's lack of disclosure as an excuse not to provide the support required.

189. If firms designed their products to be accessible to all customers using a universal design approach, many of the issues faced by vulnerable consumers—including their concerns over having to disclose their vulnerability—would be removed.

190. The FCA guidance, when published, should provide firms with clear examples and principles of how they should go about identifying customer vulnerabilities.

Training staff to understand consumer vulnerability

191. The Committee took evidence on whether financial services providers were providing their staff with sufficient training to enable them to provide support to the wide range of consumers who could be considered vulnerable.

192. Macmillan Cancer Support, in written evidence to the Committee stated that:

We believe that current industry practice must improve and should go beyond frontline staff training programmes.¹⁷²

At a Committee outreach event in Newcastle, the Committee heard that even where additional support was available, often customer service staff were not aware of the services,

171 [Q272](#)

172 [Macmillan Cancer Support \(CAF0037\)](#) para 9

or trained correctly to make use of them. If customers make the journey to a branch and the relevant support is not provided—even if it should have been available because the staff are unaware—it can cause significant problems for the customers involved.¹⁷³

193. However, the Money Advice Trust noted that some improvements in how financial services providers were approaching training their staff in all aspects of vulnerability (were being made):

We have seen evidence of improvement directly. Since 2015 there has been a significant increase in demand for the Money Advice Trust's vulnerability training for frontline creditor staff, which has now helped nearly 19,000 staff in 219 creditor organisations to better identify and support customers in vulnerable circumstances.

While historically firms had tended to largely focus their staff training around mental health problems, this training has evolved to increasingly cover the wider range of other vulnerable circumstances that customers experience—such as serious illness, addiction, mental capacity limitations and bereavement.¹⁷⁴

194. Nisha Arora told the Committee that the FCA has been looking at how firms provide staff training and how they support staff, and have concluded there is some good practice but it is not consistent.¹⁷⁵ The FCA will include training in its upcoming guidance and will recommend “that there is a consistent policy and line of sight right from the board through to the frontline staff, so they have the support and the networks they need.”¹⁷⁶

195. At present, training provided to staff is not uniform across financial services providers. Firms have a responsibility to ensure that all customer facing staff are adequately trained in how to assist vulnerable customers.

196. The Committee recommends that, within its vulnerable customer guidance, the FCA must outline the level of training that all frontline financial services staff are required to take. This training should be set at a high standard, and instruct staff in how to be empathetic and understanding when supporting vulnerable customers. In addition, staff must be aware of all of the disability adjustments and services that are available to their customers without fail.

Duty of care

197. In July 2018, the FCA consulted on a proposal for financial services providers to have a ‘duty of care’. There were two versions of the duty of care which were proposed. In the consultation paper the FCA stated that:

In calling for a new duty, some stakeholders have suggested that it should be a ‘fiduciary duty’ and some have suggested it should be a ‘duty of care’. Sometimes the proposed new duty has been expressed in a way that incorporates concepts from the legal definitions of both ‘duty of care’ and

173 Treasury Committee ([CAF0083](#))

174 Money Advice Trust ([CAF0027](#)) para 4.9

175 [Q275](#)

176 [Q275](#)

'fiduciary duty'. The legal definition of a 'duty of care' is an obligation to exercise reasonable care and skill when providing a product or service. A 'fiduciary duty' is complex to define but means, broadly, that firms must not put personal interests above those of the client, must avoid conflicts of interest and must not profit from the firm's position without the client's knowledge and consent.¹⁷⁷

198. In its written evidence to the Committee the FCA outlined the current level of service that financial services providers were expected to provide:

Firms do not have an obligation to provide services to consumers unless the law creates specific universal obligations—such as the obligation on certain financial services firms to provide access to basic banking services.¹⁷⁸

199. Much of the evidence received for the inquiry was supportive of a duty of care. Sian Williams, Director of the Financial Health Exchange at Toynbee Hall, a charity focused on issues relating to poverty, and a member of the Access to Cash Review Panel, told the Committee in oral evidence that:

I absolutely agree that there should be a duty of care. At the moment, legislation and regulation only require that firms put the best interests of their customers first in certain circumstances. This means that there are many other circumstances where they do not have to put the best interests of their customers first. That goes to the heart of the problem.¹⁷⁹

Similarly, the Money Advice Service written submission stated:

A duty of care could strike a better balance between firm and consumer responsibilities and help deliver extra protection and better treatment to vulnerable consumers. In line with the stated aim of the FCA's Mission to focus on prevention rather than cure, a "duty of care"—with a positive obligation to promote customers' best interests—could encourage firms to identify potential customer harm and avoid it.

A new duty that gives financial services firms a positive obligation to promote customers' best interests; and a fiduciary duty not to cause harm to a customer's financial interests could enable consumers to take legal action to obtain redress for a breach of duty of care. Consumers are currently unable to take legal action solely as a result of a breach of an FCA principle such as treating consumers fairly.¹⁸⁰

200. Baroness Tyler of Enfield, Chair of the former House of Lords Committee on Financial Exclusion, told the Committee:

Other professions, such as the legal and medical professions, have a duty of care. It would make a real difference.¹⁸¹

177 FCA, [Discussion Paper on a duty of care and potential alternative approaches](#), July 2018

178 Financial Conduct Authority ([CAF0069](#)) para 14

179 [Q2](#)

180 Money Advice Service ([CAF0062](#)) para 3.10

181 [Q150](#)

201. The Financial Service Consumer Panel submitted evidence to the inquiry that suggested a minimum response that the FCA could introduce, were a duty of care rejected:

Some types of firms, for example financial advisers, are already required to act in their clients' best interests, which is stronger and clearer than the FCA's 'Treating Customers Fairly (TCF)' Principle for Businesses. The FCA should, as a minimum, amend its Principles for Businesses, to require all firms to act in customers' best interests and manage conflicts of interest fairly and so as to avoid consumer harm. This should be backed with a right for an individual to take court action against a breach. However, the best outcome for consumers would be to enshrine a duty of care in the Financial Services and Markets Act (FSMA).¹⁸²

202. However, written evidence from UK Finance cautioned against a duty of care as it would raise a number of issues:

The introduction of a duty would add a further layer of complexity and regulatory obligation that would impose further costs on firms and their customers and potentially affect product cost and availability. This is illustrated by potential unintended consequences that could arise in those areas of business that involve a third party, for example mortgages (lawyers, brokers, non-borrowing occupiers, tenants) and savings (attorneys, parents on children's accounts, personal representatives). A duty could blur the lines between the existing duties and responsibilities of each of the parties, including the firms.¹⁸³

203. UK Finance also suggested that a duty of care would be unnecessary because other regulatory measures achieve the same outcome:

A number of perceived historic failures have been associated with an insufficiently strong culture within firms. In this regard, the introduction of a duty is unnecessary as the extension of the Senior Managers and Certification Regime (SMCR) to all FCA solo-regulated firms aims to ensure that a culture of doing the right thing by customers is embedded.¹⁸⁴

204. Nisha Arora told the Committee that she was not convinced the actual words "duty of care" needed to be added to the FCA's principles:

What we are exploring is whether other things need to be done, whether changes of words or changes to practice.¹⁸⁵

When asked whether the financial services industry should mirror the duty of care required of solicitors to their clients, Nisha Arora stated:

182 Financial Services Consumer Panel ([CAF0060](#)) para 4

183 UK Finance ([CAF0044](#)) page 5

184 UK Finance ([CAF0044](#))

185 [Q277](#)

Our Principle two talks about reasonable skill and care. The Consumer Rights Act already requires “reasonable care and skill”. If people are still telling us that is not providing the right outcomes for consumers, we want to understand why, what the gap is and what needs to be added.¹⁸⁶

205. On 23 April 2019 the FCA published a feedback statement on its Duty of Care Discussion Paper published in July 2018. Most of the arguments both for and against a statutory duty of care were based on the assumption that individual consumers would have the ability to take court action to recover losses that resulted from a breach of that duty (i.e. be ‘actionable’).¹⁸⁷ The feedback the FCA received in favour of creating a new legal duty of care stated it could:

- trigger fundamental culture change within firms by creating a unifying, overarching standard of care that moves firms to ask ‘is this right?’ rather than ‘is this within the rules?’
- incentivise firms to anticipate and evaluate harm at every level of business and every stage of a consumer journey, and to take better preventative action.
- create clarity for consumers about what they can expect and / or demand of firms, and give a single, overarching concept of care that is vital to rebuilding consumer trust in some sectors.
- create clarity for the FCA, by acting as a general ‘baseline’ against which the regulator can take action in cases of new and emerging harms that may not be captured by existing rules.¹⁸⁸

The FCA feedback stated those most in favour of a duty of care said it would be “a critical step towards restoring consumer trust. It has the unique capacity to drive change by providing an overarching, legislative standard of care that sits above the rest of the regulatory and legal framework, and to which everyone would have regard at all times”.¹⁸⁹

206. The feedback the FCA received that was not in favour of creating a new duty of care stated that there would be:

- difficulties in being able to consistently apply a single duty to the huge variety of firm/consumer relationships in financial services
- duplication of existing obligations, creating legal complexity and confusion
- legal uncertainty and delay, due to how quickly precedent would develop, and the sheer number of different firm/consumer relationships, sectors and products for which precedent would need to be developed before there could be real clarity

186 Q278

187 FCA, ‘[A duty of care and potential alternative approaches: summary of responses and next steps](#)’, April 2019 Para 1.16

188 FCA, ‘[A duty of care and potential alternative approaches: summary of responses and next steps](#)’, April 2019 Para 1.13

189 FCA, ‘[A duty of care and potential alternative approaches: summary of responses and next steps](#)’, April 2019 Para 1.18

- loss of regulatory agility, because if the pace and will of the courts were to determine the interpretation and application of the duty, then the regulatory environment would become less responsive, flexible and adaptable to change
- perceived risk of stifling access, innovation and competition by making firms too cautious
- cost, delay and stress of litigation for consumers
- consumer confusion about multiple avenues of redress
- perceived risk of a negative, adversarial effect on firm/consumer relationships, and of false claims.¹⁹⁰

207. The FCA also stated that many respondents were not in favour of an outcome that meant customers would have to take providers to court themselves:

Those arguing against a private right of action said existing redress options, especially the Financial Ombudsman Service, were cheaper and more consumer friendly than litigation. They felt that the expense, stress and complexity of litigation mean it is not in consumers' interests.¹⁹¹

208. In conclusion to its feedback the FCA stated its primary focus will be on considering:

- reviewing how we apply the regulatory framework—particularly how we apply the Principles and how we communicate with firms about this, and
- new/revised Principles to strengthen and clarify firms' duties to consumers, including consideration of the potential merits and unintended consequences of a potential private right of action for Principles breaches.

The FCA said it did not consider the argument of those who wanted to introduce a legal duty of care as a “sufficient basis for making changes to primary legislation, which Parliament would need to make. However if, as part of our analysis, we take the view that there are substantive reasons for supporting a statutory duty, we will consider this further.”¹⁹²

209. The FCA will publish a further paper in Autumn 2019 seeking detailed views on specific options for change.

190 FCA, [‘A duty of care and potential alternative approaches: summary of responses and next steps’](#), April 2019 Para 1.17

191 FCA, [‘A duty of care and potential alternative approaches: summary of responses and next steps’](#), April 2019 Para 1.23

192 FCA, [‘A duty of care and potential alternative approaches: summary of responses and next steps’](#), April 2019 Para 1.36

210. All retail financial services, no matter which sector of the industry they operate in, should be acting in their customers' best interests at all times. If the FCA is unable to enforce such behaviour in firms under its current rule book and principles, the Committee would support a legal duty of care, analogous to that in the legal industry, creating a legal obligation for firms to act in their customers' best interests. While a legally enforceable duty might still require customers to take their own legal action to seek redress against a provider, its very existence would remind providers of their duty to act in their customers' best interests at all times.

211. The FCA stated the feedback for its duty of care discussion paper would be published in early 2019 but it was published only in April. The Committee recommends that the FCA completes its consultation swiftly by Autumn 2019, with a clearly set out timetable of when changes to its rule book, principles, or legislation (if needed) will occur.

7 Access to lower-cost credit

212. As part of the Committee's previous inquiry into Household Finances, the Committee took evidence on the lack of lower-cost credit available in the UK. The Committee recommended the Government "take a more strategic approach in coordinating what currently appeared to be piecemeal efforts across Government, regulators and industry towards promoting the expansion" of the credit union and community development financial institutions.¹⁹³

213. In evidence to this Committee, Sian Williams, Director of the Financial Health Exchange, Toynbee Hall, suggested that there is still a lack of affordable credit:

I have been leading work for the Financial Inclusion Policy Forum around access to affordable credit and we have not yet got that range right. [...] Having access to a small, no-interest loan that will not really increase their total outgoings but would allow them to not then get into trouble somewhere else with a higher-cost lender or to have to forego really essential items like food and fuel is really crucial. That is something that we know we want to take forward, and the Treasury and the Financial Inclusion Policy Forum are working on that with us.¹⁹⁴

214. In the 2018 Budget, the Chancellor announced the pilot of a no-interest loan scheme to help consumers with problem debt.¹⁹⁵ A feasibility study of the pilot was due to take place in 2019.¹⁹⁶ However, at the time of writing this report, further details of this pilot had not been announced.

215. The Committee welcomes the Government's announcement in the Budget of its intention to pilot a no-interest loan scheme and awaits the details of the proposed scheme with interest. When responding to this Report the Government should outline when these proposals will be brought forward.

Treatment from enforcement agents

216. In its Household Finances Report, the Treasury Committee concluded that:

[Local authority] debts are often pursued overzealously, and with routine recourse to bailiffs. In addition to local government, the Committee has heard reports that central government can take an uncompromising approach to debt collection. The public sector should be leading by example in its treatment of the most financially vulnerable; but the current approach risks driving them into further difficulty. The Committee welcomes the Economic Secretary's acknowledgement of this problem, but it would like to see more evidence that the Government is tackling it as a priority. By bringing central government and local authority debt collection practices

193 Treasury Committee report into [Household finances: income, saving and debt](#), 18 July 2018

194 [Q7](#)

195 HM Treasury, [Budget 2018](#), October 2018

196 HM Treasury, ['Budget 2018'](#), Para 5.57

consistently into line with industry best practice, the Government has the power to make a significant difference to the burden of problem debt in a short space of time.¹⁹⁷

217. In its response to the Committee's report, the Government wrote:

Local authorities are responsible for the collection of council tax. 58 councils in England have signed up to the Council Tax Protocol developed by the Local Government Association and Citizens Advice. This offers practical steps to prevent people getting into debt. Central government has published guidance on enforcement action, which makes it clear that local authorities should be sympathetic to those in genuine hardship and proportionate in any enforcement action.¹⁹⁸

218. In 2014 the Government introduced reforms to strengthen protection from rogue enforcement agents, by implementing Part 3 and Schedule 12 of the Tribunals, Courts and Enforcement Act 2007. The reforms provided legal protection by introducing a comprehensive code governing, amongst other things: when and how enforcement agents can enter somebody's premises; the safeguards to prevent the use of force against debtors; what goods they can and cannot seize and, if necessary, sell; and what fees they can charge.¹⁹⁹

219. However, the Committee received a number of written evidence submissions that consumers—including those who are vulnerable—continue to suffer unfair treatment from creditors. StepChange, a debt charity, told the Committee that there is evidence of vulnerable consumers not being treated appropriately and not experiencing positive outcomes in their interactions with financial services providers:

41 per cent of clients who identified as vulnerable, for example due to a health condition or visual or hearing difficulty, had experienced unfair treatment from a financial services provider they owed money to. This may have included, for example, being asked for unaffordable repayments, being contacted at times they asked not to and having fees or charges added to their debt even after their creditor knew they were in difficulty. This compared to 26 per cent of 'non-vulnerable' clients who said they were treated unfairly.²⁰⁰

220. Similarly, Baroness Tyler of Enfield told the Committee about the evidence the House of Lords Committee on Financial Inclusion had taken regarding bailiffs:

Just sending the bailiffs in, it seems to me, is often completely counterproductive. For some of the people in the most desperate circumstances, it is often going to be the state—i.e. central government or local government—which ends up picking up the cost of whatever happens when that person becomes homeless or whatever it is. We were surprised and quite shocked at some of the examples we heard about the bailiffs at the door being sent in by the local authorities.²⁰¹

197 Treasury Committee, Nineteenth Report of Session 2017–19, [Household finances: income, saving and debt](#), HC565, Para 49 and 50

198 Treasury Committee, Seventh Special Report of Session 2017–19, [Household finances: income, saving and debt: Government Response to the Committee's Nineteenth Report](#), HC1627, page 4

199 Gov.uk, [Crackdown to stop rogue bailiffs making lives a misery](#), 25 November 2018

200 StepChange Debt Charity ([CAF0019](#)) Para 4

201 [Q160](#)

221. The House of Commons Justice Select Committee published a report on bailiffs in which it noted that bailiffs would not accept affordable repayment offers, they seized goods inappropriately and failed to take vulnerable circumstances into account. The changes to the regulations around bailiffs that had been introduced in 2014 did not properly deal with the vulnerability of the people bailiffs were dealing with.²⁰²

222. In November 2018 the Government launched a call for evidence for its second post-implementation review of the 2014 regulations. The call for evidence is now closed and the results have not yet been published.

223. The Committee welcomes the Government's work in undertaking a second post-implementation review of the effectiveness of its 2014 legislation on rogue enforcement agents. The Committee will consider the results of this review when it is published, but expects to see increased protection for vulnerable consumers.

224. Often, debt enforcement is a matter for local authorities. Many local authorities have already signed up to the Council Tax Protocol developed by Citizens Advice and the Local Government Association. The Committee recommends that local authorities sign up to the Protocol, and that the Government instructs them to do so.

Treatment of consumers with problem debt

225. The Money and Mental Health Policy Institute (MMHPI) has an ongoing campaign regarding the Consumer Credit Act 1974 and the Consumer Credit (Enforcement, Default and Termination Notices) Regulations 1983, which require letters demanding debt payments to include words in specific formats that consumers can find intimidating:

Letters from debt collectors can be intimidating and hard to understand, full of complex legal language and threats of court action. And the truth is that the law doesn't just allow lenders to get away with sending these threatening letters, it makes them do it. A law written decades ago sets out the exact wording that must be included in letters to people struggling with repayments for most types of credit (from overdrafts to credit and store cards, payday loans and personal loans). It includes phrases like:

"IF YOU DO NOT TAKE THE ACTION REQUIRED BY THIS NOTICE BEFORE THE DATE SHOWN THEN THE FURTHER ACTION SET OUT BELOW MAY BE TAKEN AGAINST YOU [OR A SURETY]."

[...] In reality, however, most of us don't know what a 'surety' is, or how to apply to a court, or have access to a solicitor. In truth, the most useful thing that you can do if you receive one of these letters and you can't make your repayments, is to contact a debt advice charity. Yet the law dictates that, even if lenders choose to include this important signposting to help, it cannot be as prominent as the intimidating messages above which must be in bold, capitals or in red to stand out. With many people receiving multiple letters like this every day, it's no wonder that so many are left feeling panicked and hopeless.²⁰³

202 Justice Committee, Seventeenth Report of Session 2017–19, [Bailiffs: Enforcement of debt](#), HC1836, Para 22 and 23.

203 Money and Mental Health Policy Institute ([CAF0047](#))

The MMHPI recommended that the Government:

Change the out-of-date legislation dictating the content of these letters. In particular, new rules are needed to make the language easier to understand, and to prominently signpost people to help. We believe this reference to help will save lives.²⁰⁴

226. The Committee recommends that the Government amends the Consumer Credit Act 1974 and the Consumer Credit (Enforcement, Default and Termination Notices) Regulations 1983 to update the required terminology and phrasing of payment request letters to a form of words that would be clear and understandable for an individual with a low level of literacy, and mandate the inclusion—with equal prominence to the demand for payment—of information within such requests of how an individual can seek help with their debts. In doing so it must take account of consultations with debt advice charities and other stakeholders.

Creditworthiness Assessment Bill

227. The Committee took evidence which set out how consumers might be unable to access affordable credit owing to a lack of credit history. If consumers have a “thin credit file”—a credit file with few examples of a previous ability to take out credit and pay it back—this may act as a barrier to taking out credit to improve their score in the future.

228. The Lord Bird described to the Committee why the Creditworthiness Assessment Bill—which proposes to include rental payments into a consumer’s credit score—may improve outcomes for some consumers:

We have to grow customers’ financial files. One of the reasons that many people in poverty, near poverty or getting out of poverty find it very difficult to get affordable credit is because no one has an algorithmic or digital record of them. That is why I have concentrated on bringing in the Creditworthiness Bill, as a means of saying to people who are paying rent, “We live in a risky business world of finance and we want to take a risk on you, but we want to know that you have the ability to pay back”. All the evidence seems to suggest that about 80 per cent of people who are paying rent could easily be freed up. They could get what is called a “thick file” or a “thicker file”, which would mean they could then access the cheaper credit.²⁰⁵

229. In response to the Committee’s Household Finances report, the Government stated that it did share the aims and objectives of the Creditworthiness Assessment Bill, but it did not agree with the approach:

Lenders currently lack access to rental data in the majority of cases, and credit reference agencies lack a systematic or comprehensive record of rental history. Industry has therefore indicated that, were lenders newly obliged to take rental payments into account when assessing each borrower, they may be unable to process applications, or would incur significant delays in doing

204 Money and Mental Health Policy Institute ([CAF0047](#))

205 [Q157](#)

so. This could prompt firms to retrench their lending to rental tenants; at a minimum, they may pass on the additional cost to consumers in the form of higher prices.²⁰⁶

230. Instead, Government launched a Rent Recognition Challenge at the 2017 Autumn Budget which is:

A competition challenging the UK's world-leading tech firms to develop innovative applications to enable tenants to record and share their rental payment data with lenders and credit reference agencies. Six successful firms received grant funding to develop prototype applications in March, and three of these received additional grant funding in August to bring their products to market no later than November 2018.²⁰⁷

231. In contrast to the Government's argument, Equifax, a credit ratings agency, submitted written evidence supporting the principles behind the Creditworthiness Assessment Bill:

Equifax analysed over 27,000 real life credit files belonging to people who rent social or affordable housing. We modelled the impact on their credit scores if their rental payment data was included and they paid their rent on time. Our analysis showed that including rental payment data improved the credit scores of 33 per cent of tenants and made no material difference to the remainder.

Within our sample, around 6,600 tenants had two or fewer credit accounts in their name, which we would class as a thin credit file and a potential barrier to accessing credit. This thin file group benefited most from including rental payment data—the credit scores of 69 per cent of tenants paying social or affordable rent improved when rental payment data was included, with no material difference to the remainder.²⁰⁸

232. The Government's Rent Recognition Challenge was designed to deliver a sufficient alternative to the aims of the Creditworthiness Assessment Bill in a timely fashion in the interest of consumers. However, the Committee has heard compelling evidence that including rental payments in credit checks would help individuals with "thin credit files". The Committee recommends that the Government supports the Creditworthiness Assessment Bill through Parliament and expects the Government to confirm it will do so in response to this report.

206 Treasury Committee, Seventh Special Report of Session 2017–19, [Household finances: income, saving and debt: Government Response to the Committee's Nineteenth Report](#), HC1627, page 7

207 Treasury Committee, Seventh Special Report of Session 2017–19, [Household finances: income, saving and debt: Government Response to the Committee's Nineteenth Report](#), HC1627, page 7

208 Equifax Limited ([CAF0043](#))

Conclusions

The importance of financial inclusion

1. Access to financial services and financial inclusion are issues of fundamental importance to the Treasury Committee, UK consumers, but also the functioning of the economy. Financial inclusion matters to everybody, not just the disadvantaged or vulnerable. (Paragraph 17)
2. Being able to be in control of your own finances helps to keep people independent, confident, and in control of their own lives. It is highly likely that people who are in control of their own finances, are much more able to protect themselves from financial abuse and fraud. This is all the more important in a society where the pace of change is increasing all the time as new technology emerges. (Paragraph 18)
3. Throughout the Committee's inquiry we have heard numerous examples of ways in which consumers have been excluded from financial services through no fault of their own, and in many cases, simply because some people with particular needs or characteristics are treated as an afterthought by financial services providers. (Paragraph 19)
4. We recommend that maintaining financial inclusion be of the utmost priority for financial services providers, the Government, and financial regulators, in order to maintain a society that does not leave large parts of society behind. (Paragraph 20)

Increasing financial inclusion

5. Basic bank accounts should be accessible to all consumers regardless of whether they are eligible for another bank account or not. To that end, the Committee recommends that all basic bank account providers should relax their opening restrictions on these accounts immediately, and recommend the FCA mandate banks to do so. (Paragraph 30)
6. All financial services providers who provide current accounts should act immediately to ensure that staff are trained to direct consumers who are rejected for a traditional current account towards a basic bank account, even if this would be with another provider. (Paragraph 31)
7. The Committee recommends that the FCA requires financial services providers to report how many basic current account openings they have rejected and the reason why. This information should be published bi-annually to increase transparency and oversight. (Paragraph 32)
8. The Committee recommend that the Treasury and the FCA consult on bringing in a standardised list of identification papers that are acceptable as identification for a basic bank account and that financial services providers should accept as many forms of identification as possible, and think creatively about more forms of identification that could be accepted. (Paragraph 33)

9. It is important that consumer education programmes are more organised to ensure a good coverage across all UK regions as well as across different consumer groups. The Committee will continue to examine and scrutinise the Government's approaches to financial literacy in a wider context. (Paragraph 36)
10. The Committee welcomes initiatives such as Monzo's voluntary block on gambling transactions, and urges other financial services providers to follow this example and introduce self-exclusionary gambling blocks of their own. In addition, they should offer customers the opportunity to exclude themselves either from borrowing altogether or from spending excessive sums of money in short spaces of time. (Paragraph 40)
11. Although there are obvious concerns about the privacy of consumer data, making more use of level-three transaction data—in order to allow consumers to set up spending blocks on items such as alcohol—should be explored. Allowing financial services providers access to such data—with the informed consent of consumers—could provide significant opportunities for additional consumer self-protection. (Paragraph 41)
12. UK Finance should work with financial services providers to find ways to increase the variety of self-exclusion spending and lending blocks available to consumers. (Paragraph 42)
13. The Committee recommends that the Government and the FCA consult on how the use of power of attorney works in practice with regard to financial services, and whether the current powers that exist are fit for purpose. The wider use of carer cards should be explored and encouraged by the FCA. (Paragraph 48)
14. The Committee expects UK Finance or the FCA to carry out a review and report back on the effectiveness of the FCA's third-party access principles—committed to by the UK's high street banks in 2017—by the end of 2019. (Paragraph 49)

Do vulnerable consumers pay more?

15. The EHRC told the Committee it does not have the relevant resources to investigate whether individual insurance firms' treatment of customers with disabilities is compliant with the Equality Act or not. Responsibility for insurance companies' compliance with the Act, both in individual cases, and for firm wide issues, should therefore be transferred to the FCA. (Paragraph 62)
16. The FCA told the Committee that it has the resources to look at individual firms' algorithms to assess compliance with the Act, but—for reasons unknown to the Committee—chose not to ask for individual firms' data when it held an initial call for input regarding the issue. This was a missed opportunity. The Committee is concerned that, despite the FCA telling the Committee that a number of firms could not give it assurance straight away that their pricing data is compliant with the Equality Act, the FCA did not choose to ask for more information. (Paragraph 63)
17. The Committee has heard that the FCA recommends consumers facing discriminatory pricing use more specialist companies that understand their individual circumstances better. This is not an adequate response to discrimination

in breach of the Equality Act. While it may be the case that customers can seek a quicker solution by using a specialist insurer, illegal discrimination must be addressed by regulators. (Paragraph 64)

18. Insurance markets operate by pooling and spreading risk among a large group of policy holders or policy writers. By excluding individuals with specific needs from mainstream insurers, it is less likely that they will be able to benefit from the pooling of risk that travel insurance provides. Pursuing a policy of encouraging vulnerable customers to use specialist insurers is therefore not the optimum solution, and reduces choice for vulnerable customers. (Paragraph 65)
19. The Committee welcomes the CMA's conclusions and recommendations regarding loyalty penalties and how they impact upon vulnerable customers. The Committee notes that the FCA is in the process of investigating the existence of loyalty penalties within the mortgage, insurance and cash savings markets, and expects the FCA to act upon those investigations swiftly once concluded. (Paragraph 74)
20. Based on the evidence given to the Committee, the FCA thinks that, due to the complexity of switching, simply providing customers with information about the loyalty penalty they are paying will be insufficient to motivate them to switch to a better provider. If this is the FCA's view it must redouble its efforts to make switching a simpler process. (Paragraph 75)
21. In line with the CMA's recommendation, the Committee recommends that the FCA makes it mandatory for firms to publish the size of their loyalty penalties on an annual basis to consumers so that consumers are fully informed. Even if many consumers choose to ignore such information, others will not, and the inclusion of such information may motivate firms to make efforts to reduce their loyalty penalty. (Paragraph 76)

Bank branch closures

22. Evidence received by the Committee made clear that certain groups who are likely to be more vulnerable, such as older consumers or those on lower incomes, are more likely to be impacted by bank branch closures. (Paragraph 91)
23. The increasing number of IT failures within banks, and the inability of financial services providers to serve their customers digitally during such service failures, provides a strong rationale for why banks cannot rely on their online and mobile channels replacing their physical presence through branches entirely. (Paragraph 92)
24. The banking industry has justified the closure of branches by highlighting the large increases in the use of online or mobile banking. It may be the case that for certain categories of customer a visit to their local branch is now an unusual occurrence. However, there are still large sections of society who rely on bank branches to carry out their banking needs. A bank branch network, or at the least, a face-to-face banking solution, is still a vital component of the financial services sector, and must be preserved. (Paragraph 93)
25. It is up to the industry to determine how best to maintain face-to-face banking, but options such as a greater expansion of mobile bank branches; sharing bank

branch facilities with other banks, shops or community buildings; or pooling staff of different banks within one premises should all be considered. The Committee has not seen compelling evidence that competition law would prevent banks from sharing facilities. In its response to this report, the Government should set out whether this is the case. If it is the case, the Government should make changes to competition law to allow banks to share facilities in order to maintain a sustainable branch network. If the financial services market is unwilling to innovate to halt the closure of bank branches, market intervention by Government or the FCA may be necessary to force banks to provide a physical network for consumers. (Paragraph 94)

26. The Committee recommends that the Lending Standards Board—through its oversight of the Access to Banking Standard—should publish the examples of non-compliance by provider within its annual report on the Standard, to increase transparency and the potential for external scrutiny over branch closures. (Paragraph 95)
27. Efforts to maintain a bank branch presence on the high street should begin prior to the last branch in town announcing its departure. By the time the last branch in a community is announcing its closure, the process to retain a physical presence in a community may often be too late. (Paragraph 96)
28. The Committee commends the positive role that the Post Office plays in providing basic banking services to customers, especially in more rural communities. (Paragraph 103)
29. Despite its best efforts, the Post Office is not the optimum environment for consumers, particularly the vulnerable, to carry out their banking requirements for a number of reasons. Post Office staff are primarily trained in dealing with postal inquiries, and are not banking specialists. The Post Office cannot help customers set up basic banking transactions such as direct debits, and the layout of many Post Offices is not conducive to giving customers the privacy required to carry out basic banking transactions. In its present form, role the Post Office plays in providing private banking services to customers can be compared to that of an ATM and should not be seen as a replacement for a branch network, but a complementary proposition where available. (Paragraph 104)
30. There is a general lack of awareness of what the Post Office offers. The Committee welcomes the work done by UK Finance to promote the Post Office in two specific locations, but this campaign should be extended nationwide. Awareness of the Post Office should be considered and monitored as part of the remit of the Financial Inclusion Policy Forum. If awareness does not improve, the Committee will expect the Government to act by launching a nationwide promotional campaign. (Paragraph 105)
31. The Post Office, a Government-owned company, is making a loss on offering its basic banking services on behalf of commercial banks. Such an arrangement cannot continue in its current form. The Post Office should not be subsidising the big six banks' lack of a branch network. In conjunction with its owners (the Department for Business, Energy and Industrial Strategy and the Treasury), the Post Office must ensure it receives adequate funding for the service it provides and places its services

on a sustainable footing. If a renegotiation of the current arrangements is necessary to make the scheme profitable, the Post Office should do so, with the full support of the Government. (Paragraph 106)

32. Many small towns and rural areas have seen bank branches close, leaving them with no high street banking services. The bank branches were closed in the knowledge that the Post Office would not be able to provide some key services. In these “last bank” cases, the banks should be required to make provision for “banking hubs” within the local Post Office. The “hub” should be properly funded, with an agreed private and business banking provision set by the Department for Business, Energy, and Industrial Strategy (BEIS), and the Treasury. Post masters must be trained, equipped and compensated to make the hubs viable. BEIS should make an immediate assessment of what the banking provision should be, the indicative cost per hub, and propose how the banks should fund it. (Paragraph 107)
33. It is important that consumers continue to have the freedom to pay for goods and services however they choose. In order to protect that freedom, free access to cash must be maintained for those that need it. While the Committee is concerned by the rate at which free to-use ATMs have been closing, it is clear that these closures are symptomatic of a wider issue. The UK’s cash infrastructure, including but not limited to the ATM network, was designed for a world in which cash is very widely used. As cash usage falls, it is important to consider how this infrastructure can be redesigned to better reflect cash’s declining popularity. The final report of the independent Access to Cash Review contains a number of recommendations to Government, the regulators, and industry which, taken together, are designed to ensure that widespread free access to cash is upheld. The Committee supports these and recommends that the Government, the regulators and industry implement the recommendations that are aimed at them respectively. All the stakeholders involved should provide a timeline for the implementation of the recommendations in their response to this report. (Paragraph 118)
34. If no action is taken, the UK risks inadvertently becoming a cashless society. For a large portion of society, including some of the most vulnerable, this would have stark consequences. (Paragraph 119)

The Equality Act and the provision of reasonable adjustments

35. The EHRC is the statutory body for enforcing the Equality Act and has statutory powers for doing so. However, it has confirmed to the Committee that it does not have the relevant resources or expertise to investigate each individual case where a financial services provider is potentially in breach of the Equality Act, or is failing to provide reasonable adjustments, and that therefore such issues were not one of its strategic priorities. At present, no other statutory body has the power to enforce the Equality Act. As a result, the only recourse available to individual consumers is to take financial services providers to court themselves. This is unacceptable. To expect vulnerable individuals to be able to take their financial services provider to court in order to enforce their rights under the Equality Act is absurd. Taking a high street bank to court would be prohibitively expensive and daunting for an individual. Given the FCA told the Committee it does have the expertise and resources, the

Government should give the FCA the power to take on the enforcement of individual cases relating to financial firms' compliance with the Equality Act, in addition to the EHRC. (Paragraph 131)

36. The Committee is of the view that providing British Sign Language interpreters—with notice—should be considered as a reasonable adjustment under the Equality Act and therefore non-compliance should be enforced by the Equality and Human Rights Commission. The argument that providing British Sign Language could only be classed as reasonable in the context of the size of a firm would excuse smaller firms from providing services to the hard of hearing. (Paragraph 139)
37. Financial services providers should act immediately to ensure that, with notice, interpretation services are made available to consumers, both for British Sign Language users and those for whom English is not their first language, as a matter of urgency. Firms must also make more effort to alert customers to the existence of such services, and how they can access them, and ensure that staff in all branches are aware of the existence of these services. The FCA should make it clear to financial services providers that such provision is expected of them under its treating customers fairly principle. This requirement would be even more explicit if firms had a legal duty of care to their customers. (Paragraph 140)
38. The Committee is concerned that almost three quarters of ATMs do not offer audio assistance. ATMs that do not have the capability to “talk” or ATMs that have a touch screen rather than physical buttons with Braille, are not accessible for visually impaired consumers. It is concerning that the RNIB (and other charities representing disabled people) have not been consulted on the roll-out of this new generation of ATMs. The European Union Accessibility Act which is due to come into force in April 2019 sets out what is required from ATMs to make them accessible. Given the UK Equality Act creates an anticipatory duty on providers to implement reasonable adjustments for consumers, the Committee expects ATM manufacturers and providers to make the adjustments set out in the EU Accessibility Act, irrespective of whether the UK remains in the EU while this Act is implemented. The Committee expects the Payment Systems Regulator to set out in response to this report whether it will mandate firms to do so. (Paragraph 147)
39. The roll out of credit and debit cards that are not tactile, and therefore offer no way for visually-impaired consumers to tell which way round they need to be inserted into ATMs, is a backward step by financial services providers. The Committee recommends that the FCA should mandate that all debit and credit cards have tactile markings as soon as possible. (Paragraph 148)
40. The roll out of touchscreen chip and PIN pads, which cannot be used by blind or partially-sighted customers, is another backward step by the payment infrastructure industry for those who rely on tactile buttons. It is unacceptable that partially-sighted customers might have to tell vendors their PIN in order to be able to pay with chip and PIN. As with ATMs, the European Accessibility Act sets out what is required to make payment terminals accessible. The Committee expects payment terminal manufacturers and providers to make the adjustments set out in the EU Accessibility Act. The Committee expects the Payment Systems Regulator to set out in response to this report whether this will be done. (Paragraph 149)

41. If the Post Office is to be used as a cash provider of last resort in communities where all other ATMs and bank branches have been closed, it must offer chip and signature in every Post Office branch in order to meet its obligations under the Equality Act to provide customers with reasonable adjustments. (Paragraph 150)
42. If firms designed their communications in the first instance to be accessible to all customers using a universal design approach, many of the difficulties faced by vulnerable consumers as a result of inaccessible communication from their financial services provider would be removed. (Paragraph 159)
43. All financial services providers should ask customers proactively what their preferred method of communication is and ensure that this is the primary way with which they are communicated in every instance. In addition, providers should make themselves aware of consumers' changing preferences over time. (Paragraph 160)
44. The Committee recommends that the FCA acts to ensure that alternative methods of communication including Braille and Moon tactile fonts, large print and audio format are made available to consumers. In addition, the way in which to access these methods should be made clear, in large print, on all communications, including marketing material and terms and conditions. (Paragraph 161)
45. The Committee is concerned that the FCA has not chosen to set standards or issue guidance, and is instead relying on a principles-based approach to require firms to provide their customers with the communication channels they are entitled to by law. A principles-based approach, with no active enforcement, will not deliver the outcomes that vulnerable or disabled customers need. When its guidance is published, the FCA should set a minimum level of communication channels or methods that firms are required to offer to their customers, and include a clear requirement for firms to provide information in all the formats set out in paragraph 158. (Paragraph 162)
46. The European Union Accessibility Act will set standards of how accessible banking providers' websites will need to be. Irrespective of the UK's relationship with the EU, the Committee expects financial services providers in the UK to, at a minimum, meet the requirements set out in the Accessibility Act. The Committee expects the FCA to monitor compliance of firms with these requirements, and to work in regular collaboration with relevant organisations such as the Royal National Institute of Blind People to ensure that firms continue to meet legal requirements in the future, and that as new issues arise, the FCA is made aware of them. (Paragraph 163)
47. If the EHRC or the FCA is unable to enforce the provision of marketing or direct communication materials in accessible formats through the Equality Act, the Committee recommends that the Government amends the Equality Act to put in place a legal obligation on financial services providers to provide alternative methods of communication including Braille and Moon tactile font, large print and audio format for consumers, and give powers to the FCA to enforce such a regulation. (Paragraph 164)
48. The Committee welcomes the spirit of the efforts made by financial services providers who have begun to simplify and reduce the length of their terms and conditions. However, significant further steps are required to ensure that communications are

accessible to all customers. The Committee recommends that all financial services providers reduce the length of their terms and conditions, and reduce the required reading age of all their communication material to that of the average reader, which the FCA told the Committee is that expected of an 11 to 12 year old. (Paragraph 169)

49. The Committee recommends that the FCA issues guidance to all financial services providers instructing them to ensure that all their communications with their customers—especially terms and conditions—are written in language that an average consumer can read and understand in full. The FCA should consider reviewing progress made by firms on simplifying their terms and conditions on a regular basis. The Committee will monitor FCA progress on this matter in future evidence sessions. (Paragraph 170)

Defining vulnerability

50. The Committee broadly welcomes the FCA's work to define vulnerability and recognises that the FCA's broad definition of vulnerability allows it to include not just those individuals that may be permanently vulnerable, but also those who are vulnerable due to their temporary circumstances. (Paragraph 181)
51. The FCA must set clear expectations of how financial service providers should treat vulnerable consumers under its definition, through the guidance it plans to publish across all sectors that it regulates. (Paragraph 182)
52. There are many reasons why consumers may not wish to disclose their particular circumstances to their financial services providers. This lack of disclosure may cause providers difficulties in identifying which of their customers require additional support. Nonetheless, it is beholden on firms to know their customers and create a culture from top to bottom where consumers feel comfortable discussing what their specific needs might be, in the knowledge that those needs will be met. Firms should design their interactions with customers to enable them to identify their customers' vulnerabilities, and they must not use a customer's lack of disclosure as an excuse not to provide the support required. (Paragraph 188)
53. If firms designed their products to be accessible to all customers using a universal design approach, many of the issues faced by vulnerable consumers—including their concerns over having to disclose their vulnerability—would be removed. (Paragraph 189)
54. The FCA guidance, when published, should provide firms with clear examples and principles of how they should go about identifying customer vulnerabilities. (Paragraph 190)
55. At present, training provided to staff is not uniform across financial services providers. Firms have a responsibility to ensure that all customer facing staff are adequately trained in how to assist vulnerable customers. (Paragraph 195)
56. The Committee recommends that within its vulnerable customer guidance, the FCA must outline the level of training that all frontline financial services staff are required to take. This training should be set at a high standard, that instructs staff

in how to be empathetic and understanding when supporting vulnerable customers. In addition, staff must be aware of all of the disability adjustments and services that are available to their customers without fail. (Paragraph 196)

57. All retail financial services, no matter which sector of the industry they operate in, should be acting in their customers' best interests at all times. If the FCA is unable to enforce such behaviour from firms under its current rule book and principles, the Committee would support a legal duty of care, analogous to that in the legal industry, creating a legal obligation for firms to act in their customers' best interests. While a legally enforceable duty might still require customers to take their own legal action to seek redress against a provider, its very existence would remind providers of their duty to act in their customers' best interests at all times. (Paragraph 210)
58. The FCA stated the feedback for its duty of care discussion paper would be published in early 2019 but it was only published in April. The Committee recommends that the FCA completes its consultation swiftly by Autumn 2019, with a clearly set out timetable of when changes to its rule book, principles, or legislation (if needed) will occur. (Paragraph 211)

Access to lower-cost credit

59. The Committee welcomes the Government's announcement in the Budget to pilot a no-interest loan scheme and awaits the details of the proposed scheme with interest. When responding to this Report the Government should outline when these proposals will be brought forward. (Paragraph 215)
60. The Committee welcomes the Government's work in undertaking a second post-implementation review of the effectiveness of its 2014 legalisation on rogue enforcement agents. The Committee will consider the results of this review when it is published, but expects to see increased protection for vulnerable consumers. (Paragraph 223)
61. Often, debt enforcement is a matter for local authorities. Many local authorities have already signed up to the Council Tax Protocol developed by Citizens Advice and the Local Government Association. The Committee recommends that local authorities sign up to the Protocol, and that the Government instructs them to do so. (Paragraph 224)
62. The Committee recommends that the Government amends the Consumer Credit Act 1974 and the Consumer Credit (Enforcement, Default and Termination Notices) Regulations 1983 to update the required terminology and phrasing of payment request letters to a form of words that would be clear and understandable for an individual with a low level of literacy, and mandate the inclusion—with equal prominence to the demand for payment—of information within such requests of how an individual can seek help with their debts. In doing so it must take account of consultations with debt advice charities and other stakeholders. (Paragraph 226)
63. The Government's Rent Recognition Challenge was designed to deliver a sufficient alternative to the aims of the Creditworthiness Assessment Bill in a timely fashion in the interest of consumers. However, the Committee has heard compelling evidence

that including rental payments in credit checks would help individuals with “thin credit files”. The Committee recommends that the Government supports the Creditworthiness Assessment Bill through Parliament and expects the Government to confirm it will do so in response to this report. (Paragraph 232)

Annex

Example of Halifax leaflet, with alternative methods of communication available to customers, and how to seek such alternatives.



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halifax.co.uk/savings

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If you'd like this in another format such as large print, Braille or audio CD please ask in branch.

If you have a hearing or speech impairment you can contact us using the Next Generation Text (NGT) Service (available 24 hours a day, 7 days a week). If you're Deaf and a BSL user, you can use the SignVideo service available at halifax.co.uk/accessibility/signvideo

Our promise

Our promise is to do our best to resolve any problems you have. If you wish to complain visit your local branch or call **0800 072 9779** or **0113 366 0167**. (Textphone **0800 389 1286** or **0113 366 0141**, if you have a hearing impairment.) For more information visit halifax.co.uk/contactus/how-to-complain

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Calls may be monitored or recorded.

Information correct as of February 2018.

Compliance No: 19920.10

Formal minutes

Wednesday 8 May 2019

Members present:

Nicky Morgan, in the Chair

Rushanara Ali	John Mann
Colin Clark	Alison McGovern
Mr Simon Clarke	Wes Streeting
Charlie Elphicke	

Draft Report (*Consumers' access to financial services*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 232 read and agreed to.

Annex agreed to.

Resolved, That the Report be the Twenty-Ninth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Tuesday 14 May at 9.00 am

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Tuesday 16 October 2018

Sian Williams, Director of the Financial Health Exchange, Toynbee Hall,
Matthew Upton, Head of Consumer and Public Policy, Citizens Advice [Q1–71](#)

Wednesday 14 November 2018

Katie Evans, Head of Research and Policy, Money and Mental Health Policy Institute, **Eleanor Southwood**, Chair of Trustees, Royal National Institute of Blind People (RNIB), **Jane Vass**, Director Policy and Research, Age UK [Q72–123](#)

Tuesday 11 December 2018

Baroness Tyler of Enfield, **The Lord Bird MBE** [Q124–167](#)

Tuesday 5 February 2019

Tom Blomfield, Founder and Chief Executive, Monzo Bank, **Robin Bulloch**, Managing Director, Lloyds Bank and Bank of Scotland Community Banks, **Martin Kearsley**, Banking Director, Post Office [Q168–256](#)

Wednesday 27 February 2019

Rebecca Hilsenrath, Chief Executive, Equality and Human Rights Commission, **Andy Goldsby**, Community and Relationship Manager, Equality Advisory Support Service, **Christopher Woolard**, Executive Director of Strategy and Competition, Financial Conduct Authority, **Nisha Arora**, Director of Consumer and Retail Policy, Financial Conduct Authority [Q257–330](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

CAF numbers are generated by the evidence processing system and so may not be complete.

- 1 38 Degrees ([CAF0073](#))
- 2 Age UK ([CAF0067](#))
- 3 AJ Bell ([CAF0032](#))
- 4 AllClear ([CAF0039](#))
- 5 Allison, Mr David ([CAF0006](#))
- 6 Alzheimer's Society ([CAF0028](#))
- 7 AMI ([CAF0071](#))
- 8 Association of British Insurers ([CAF0030](#))
- 9 Association of Convenience Stores ([CAF0049](#))
- 10 AXA UK ([CAF0058](#))
- 11 Barclays Bank PLC ([CAF0023](#))
- 12 British Insurance Brokers' Association ([CAF0013](#))
- 13 Building Societies Association ([CAF0022](#))
- 14 Campbell, Mr Alan ([CAF0007](#))
- 15 Cardtronics ([CAF0026](#))
- 16 Citizens Advice ([CAF0009](#))
- 17 Citizens Advice ([CAF0041](#))
- 18 CLIC Sargent ([CAF0024](#))
- 19 The Co-Operative Bank ([CAF0059](#))
- 20 The Consumer Council ([CAF0064](#))
- 21 The Consumer Council ([CAF0076](#))
- 22 Consumer Credit Association ([CAF0075](#))
- 23 Debt Hacker ([CAF0074](#))
- 24 EDEN City Outreach ([CAF0029](#))
- 25 Equality Advisory Support Service ([CAF0085](#))
- 26 Equifax Limited ([CAF0043](#))
- 27 Fair By Design ([CAF0050](#))
- 28 Finance & Leasing Association ([CAF0063](#))
- 29 The Finance Foundation ([CAF0008](#))
- 30 Financial Conduct Authority ([CAF0069](#))
- 31 Financial Conduct Authority ([CAF0081](#))
- 32 Financial Conduct Authority ([CAF0087](#))
- 33 The Financial Inclusion Commission ([CAF0052](#))

- 34 Financial Ombudsman Service ([CAF0048](#))
- 35 Financial Services Consumer Panel ([CAF0060](#))
- 36 Habito ([CAF0078](#))
- 37 Hargreaves Lansdown ([CAF0021](#))
- 38 Independent Age ([CAF0070](#))
- 39 Institute and Faculty of Actuaries ([CAF0033](#))
- 40 Investment & Life Assurance Group ([CAF0046](#))
- 41 Lane, Mrs Hannah ([CAF0010](#))
- 42 Later Life Ambitions ([CAF0066](#))
- 43 Lending Standards Board ([CAF0034](#))
- 44 LINK Consumer Council ([CAF0025](#))
- 45 LINK Scheme ([CAF0012](#))
- 46 Lloyds Banking Group ([CAF0031](#))
- 47 Lovell, Elaine ([CAF0072](#))
- 48 The Low Incomes Tax Reform Group ([CAF0018](#))
- 49 LQID Bank ([CAF0035](#))
- 50 LV= ([CAF0054](#))
- 51 Macmillan Cancer Support ([CAF0037](#))
- 52 Money Advice Service ([CAF0062](#))
- 53 Money Advice Trust ([CAF0027](#))
- 54 Money and Mental Health Policy Institute ([CAF0047](#))
- 55 Morses Club PLC ([CAF0015](#))
- 56 NAT (National AIDS Trust) ([CAF0051](#))
- 57 National Pawnbrokers Association ([CAF0080](#))
- 58 Open Banking ([CAF0055](#))
- 59 Office of the Public Guardian ([CAF0089](#))
- 60 PayPoint ([CAF0020](#))
- 61 The Pensions Advisory Service ([CAF0057](#))
- 62 PIMFA ([CAF0016](#))
- 63 Positive Money ([CAF0061](#))
- 64 Post Office ([CAF0068](#))
- 65 Post Office ([CAF0079](#))
- 66 Quilter plc ([CAF0017](#))
- 67 Responsible Finance ([CAF0056](#))
- 68 The RSA ([CAF0040](#))
- 69 Scope ([CAF0038](#))
- 70 Stanley, Mr Terry ([CAF0001](#))
- 71 StepChange Debt Charity ([CAF0019](#))

- 72 tifgroup ([CAF0045](#))
- 73 TISA ([CAF0014](#))
- 74 Treasury Committee ([CAF0082](#))
- 75 Treasury Committee ([CAF0083](#))
- 76 UK Finance ([CAF0044](#))
- 77 Unite the union ([CAF0042](#))
- 78 Which? ([CAF0065](#))
- 79 Williams, Mrs Annette ([CAF0002](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2017–19

First Report	Appointment of Sir Dave Ramsden as Deputy Governor for Markets and Banking at the Bank of England	HC 472
Second Report	Appointment of Professor Silvana Tenreyro to the Bank of England Monetary Policy Committee	HC 471
Third Report	The Solvency II Directive and its impact on the UK Insurance Industry	HC 324 (HC 863)
Fourth Report	Transitional arrangements for exiting the European Union	HC 473 (HC 850)
Fifth Report	Autumn Budget 2017	HC 600 (HC 757)
Sixth Report	Appointment of Elisabeth Stheeman to the Financial Policy Committee	HC 758
Seventh Report	Student Loans	HC 478 (HC 995)
Eighth Report	Appointment of Charles Randell as Chair of the Financial Conduct Authority and the Payment Systems Regulator	HC 838
Ninth Report	Childcare	HC 757 (HC 1196)
Tenth Report	Re-appointment of Alex Brazier to the Financial Policy Committee	HC 936
Eleventh Report	Re-appointment of Donald Kohn to the Financial Policy Committee	HC 937
Twelfth Report	Re-appointment of Martin Taylor to the Financial Policy Committee	HC 938
Thirteenth Report	The Motability Scheme	HC 847
Fourteenth Report	Re-appointment for Gertjan Vlieghe to the Monetary Policy Committee	HC 1056
Fifteenth Report	Women in finance	HC 477 (HC 1567)
Sixteenth Report	Appointment of Bradley Fried as Chair of Court, Bank of England	HC 1319
Seventeenth Report	Appointment of Professor Jonathan Haskel to the Monetary Policy Committee	HC 1318
Eighteenth Report	Appointment of Andy King to the Budget Responsibility Committee of the OBR	HC 1340

Nineteenth Report	Household finances: income, saving and debt	HC 565 (HC 1627)
Twentieth Report	Appointment of Jill May to the Prudential Regulation Committee	HC 1511
Twenty-first Report	Appointment of Professor Julia Black to the Prudential Regulation Committee	HC 1512
Twenty-second Report	Crypto-assets	HC 910
Twenty-third Report	Re-appointment of Sir Jon Cunliffe as Deputy Governor for Financial Stability at the Bank of England	HC 1626
Twenty-fourth Report	SME Finance	HC 805
Twenty-fifth Report	The UK's economic relationship with the European Union: The Government's and Bank of England's Withdrawal Agreement analyses	HC 1819
Twenty-sixth Report	Budget 2018	HC 1606
Twenty-seventh Report	Appointment of Kathryn Cearnas as Chair of the Office of Tax Simplifications	HC 2012
Twenty-eighth Report	Economic Crime - Anti-money laundering supervision and sanctions implementation	HC 2010
First Special Report	Transitional arrangements for exiting the European Union: Government Response to the Treasury Committee's Fourth Report	HC 850
Second Special Report	The Solvency II Directive and its impact on the UK Insurance Industry: Bank of England Response to the Committee's Third Report of session 2017-19	HC 863
Third Special Report	Autumn Budget 2017: Government and Office for Budget Responsibility responses to the Treasury Committee's Fifth Report	HC 757
Fourth Special Report	Student Loans: Government and Office for National Statistics responses to the Committee's Seventh Report	HC 995
Fifth Special Report	Childcare: Government Response to the Committee's Ninth Report	HC 1196
Sixth Special Report	Women in finance: Government Response to the Committee's Fifteenth Report	HC 1567
Seventh Special Report	Household finances: income, saving and debt: Government Response to the Committee's Nineteenth Report	HC 1627
Eighth Special Report	Government and Financial Conduct Authority Responses to the Committee's Twenty-Second Report: Crypto-assets	HC 1627
Ninth Special Report	Government and Financial Conduct Authority Responses to the Committee's Twenty-Fourth Report: SME Finance	HC 1873
Tenth Special Report	Government Response to the Committee's Twenty-Sixth Report: Budget 2018	HC 2111
Eleventh Special Report	Government Response to the Committee's Twenty-Eighth Report: Economic Crime - Anti-money laundering supervision and sanctions implementation	HC 2187