

White Paper:

A New Consumer Duty



Protecting the Consumer

The UK Financial Services Regulator, the Financial Conduct Authority (FCA) has recognised that consumers will need increased protection against harm by issuing a new Consumer Care of Duty to its regulated firms.

It states that companies must implement procedures that deliver good outcomes and avoid causing foreseeable harm to consumers and emphasises a focus on vulnerability, forbearance and consumer communications. Implicit within this is a need to set up systems to ensure that their products and support enable vulnerable customers to disclose their needs at each stage of their process and provide practical forbearance solutions. It needs the organisation to put the customer at the centre of their process to ensure they treat them fairly. One of the monitoring measures will be the outcome of complaints to the Financial Ombudsman (FOS).

For many firms, this would require a significant shift in culture and behaviour, where they consistently focus on consumer outcomes, and put customers at the centre of their business so that they can be in a position where they can act and make decisions in their interests. This of course includes collections processes that ensure that you are treating the customer fairly and has set in place a plan to achieve those aims, starting with a gap analysis which must be completed by the end of October 2022. Those implementation plans must be fit for FCA inspection to ensure the work is sufficient to meet the new Consumer Duty standards for implementation by 31st July 2023.

Practical Applications

What does this mean in practical terms for a financial firm in its decision making? The correct checks and balances need to be in place to identify a vulnerable consumer at point of sale and again should the customer fall into arrears, as vulnerability may only present itself then. In terms of classification a good starting point would be to use the four key drivers of vulnerability proposed by the FCA (health, life events, financial resilience and capability). Strategies can then be developed from those definitions which recognise long or short-term lifecycles that can provide the right response at the right time, allowing a greater level of automation. Some strategies will be straightforward, such as an individual's lack of financial capacity to make appropriate decisions through a Power of Attorney or Court of Protection Order being made.

Other data aggregators such as the Vulnerability Registration Service now have access to data that has hitherto been unavailable. For example, they have members who with the consumers consent are registering the cause of vulnerability, which can then be used in your initial contact strategy in recognition that you are alive to the consumers current circumstances.

Having multiple and sustainable lines of communication that suit that customer is crucial. In other words, having a system that is flexible enough to treat the customer how they need to be treated to place them at the centre of your organisation.

A Solution for Today

Optimus by Telrock Systems was designed from the ground up by collectors for collectors and built around a dynamic collector workbench driven by business rules and workflow, leading-edge digital engagement and a sophisticated customer portal. It may have been argued in the past that people suffering vulnerability will not have access to or be able to use mobile phones, or computers, but necessity driven by the pandemic may have altered that perception. What is certain is that mobile phone use has become a necessity during the pandemic, and this can be used for a multitude of functions with smart collections systems.

A scenario could be that using two-way SMS contact has opened a hitherto closed contact, directing the customer to your portal. By following easy to use instructions the customer can engage with you in more detail through a portal that has multiple choices to both inform and give consent to record details of their vulnerability. The same portal could direct the customer to an SFS compliant I&E form and by recognising a category of vulnerability, confirm what documentation if any will be required and use the portal to upload those documents as a permanent record of specific consent which updates the collector's workbench. Optimus' client configurable chatbot can be utilised to prompt and guide consumers as they navigate the Optimus self-serve portal.

Similarly, the ability to connect to multiple databases in real time is also crucial in all effective arrears management.

To facilitate integration with other systems, *Optimus* incorporates several key components including a standard suite of real-time inbound API's that support real-time updates from host systems and a 'SmartIntegration' tool which allows clients to define codeless configuration and orchestration to third party API's (e.g., client applications, diallers, PSPs, and other vendor solutions) and utilise third party data within any UI, workflow, rule, etc. If client host systems cannot support integration via real-time API's the 'Optimus Data Integrator' simplifies and removes the complexities historically associated with file-based integration. 'Data Integrator' has been structured such that a business analyst can quickly and easily map and test inbound and outbound files within minutes/hours without IT support. Treating customers who are experiencing vulnerable circumstances fairly, with compassion and understanding will become the cornerstone of all consumer touchpoints for the foreseeable future.

Optimus's flexible collection system with dynamic collector workbench, embedded digital communications, omni-channel management and an integrated self-serve portal is the technology that will enable you to meet the regulatory challenges of today. It is the technology that will put your customer at the centre of your operations.

About the Author

Following an executive management board role with an operating subsidiary of Lloyds Banking Group, Bruce Turnbull has spent the past 20 years providing collections management consultancy services to several blue-chip lending companies including Courts International, GE Capital, and Provident Group.

More recently Bruce has served as Managing Director of two UK operating subsidiaries of CoreLogic, Inc. (NYSE: CLGX), a \$3 billion-dollar global data, analytics, and related services company. Bruce is currently a Director of the Vulnerability Registration Service and provides business consultancy to Telrock Systems.

About Telrock Systems

Telrock Systems is a global technology provider of modern cloud-based collections and recovery software solutions for creditors and 3rd party consumer collections organizations wanting improved functionality and smarter capabilities. Our flagship solution, Optimus, is an enterprise-wide collections and recovery software platform built new from the ground up. It leverages open-source technology, powerful cloud computing, PCI DSS compliance, and more intelligent designs resulting in the broadest and richest collections and recovery Software-as-a-Service (SaaS) offering in the market. We provide our solutions in North America from our Atlanta office, and in Europe, Middle East, and Africa (EMEA) from our London, UK office.

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