Identifying & Monitoring Your Vulnerable Customers.

A vulnerable consumer is someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care. Vulnerability is rarely static and it is important to identify vulnerable customers and monitor their changing circumstances.

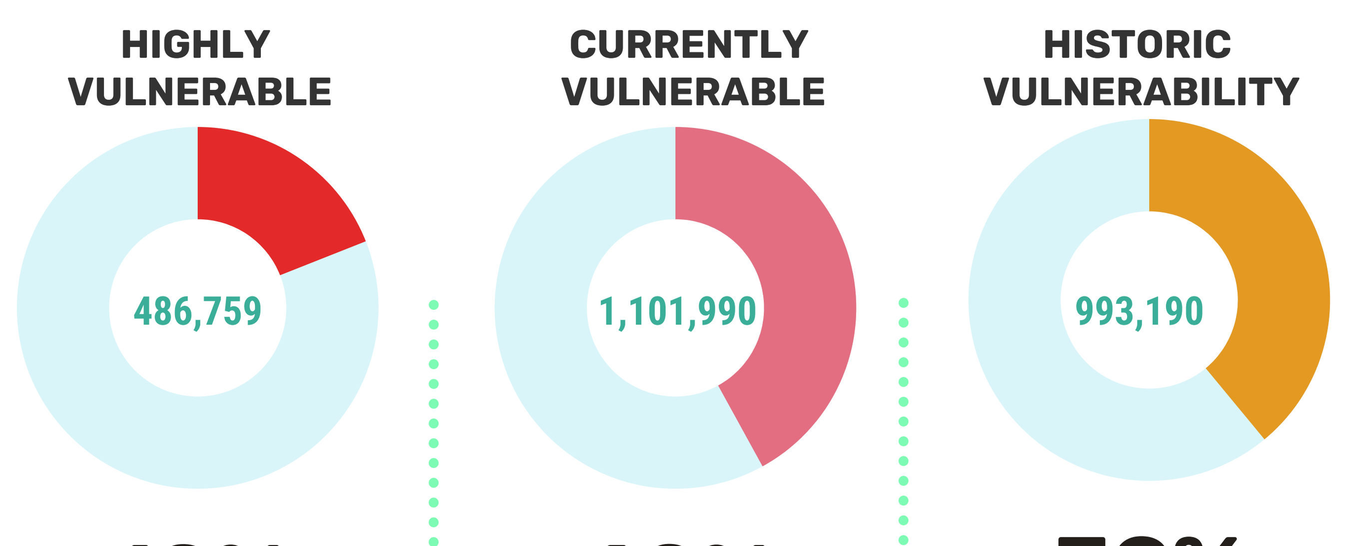
ID.VU helps organisations to identify households and individuals who are displaying characteristics of vulnerability.

Mapping ID.VU data insights to your customer database will help identify the consumers who you need your help right now.

ID.VU enables your organisation to highlight your most vulnerable customers, so you can act appropriately to offer the protection they need to prevent their circumstance worsening.

01

Data On Demand aggregates information about 2,581,939 financially vulnerable consumers to create ID.VU



19%

Consumers applying for high-cost credit for the first time in the last 30 days or making multiple applications in the last 90 days and showing characteristics of vulnerability - income shock, low financial resilience, relationship breakdown, bereavement or over-indebtedness.

42%

Consumers applying for high-cost credit between 90 and 365 days and showing characteristics of vulnerability - income shock, low financial resilience, relationship breakdown, bereavement or over-indebtedness.

39%

These are consumers who we have not seen data for, for over 365 days. This does not mean they are no longer vulnerable and have previously displayed characteristics that put them at risk of financial harm.

61% vulnerable within 12 months.

ID.VU identifies 1,588,749 consumers displaying characteristics of vulnerability within 12 months.

*statistics from ID.VU 10/02/2022 database build.

02

What type of data is used to create ID.VU?

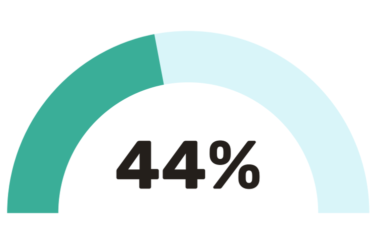
ID.VU aggregates data from high-cost credit applications, typically known as 'high-cost, short-term' loans and historically referred to as 'pay day' loans.

The FCA's Financial Lives Survey, published in February 2021, says "Unsurprisingly, adults using high-cost credit often tend to be struggling financially."

- One in two (49%) had low financial resilience
- Two in five (41%) were over indebted
- Three in ten (29%) were in financial difficulty*

*i.e. Had fallen behind or missed payment for domestic bills or credit agreements in three or more of the last six months.

The ID.VU solution for identifying vulnerability, aggregates information from over 2.49m high-cost credit applications - with between 500k and 750k applying again each month and around 90k new applications.



In February 2020, of the 24m people that the FSL survey identified as having characteristics of vulnerability, one in ten (11% or 5.6m) people held one or more high-cost loan.

ID.VU identifies 2.5m (44%) of the most financially vulnerable consumers in the UK, who need to use high-cost loans to survive.

03

What is the definition of low financial resilience?

The FCA say "People are described as having low financial resilience if they are over-indebted or have little capacity to withstand financial shocks. For example, they could not withstand even a £50 reduction in their monthly income or losing their main source of household income for even a week."

"In February 2020, certain demographic groups were far more likely than others to have low financial resilience, and therefore be at greater risk of harm."

Those least able to cope with a financial shock included:

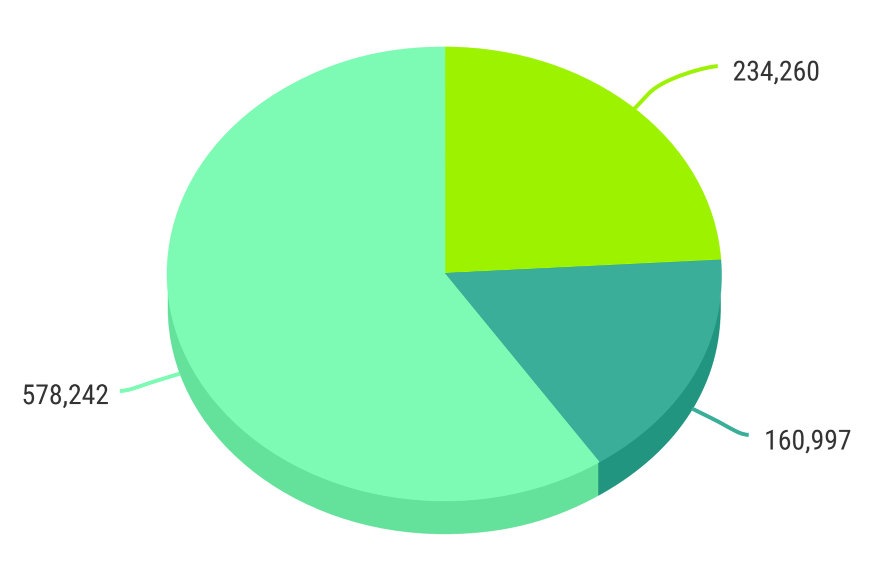
- unemployed adults (47%)
- renters (47%)
- adults with a household income of less than £15,000 (43%)

"Three in eight adults (38% or 20.0m) have seen their financial situation overall worsen because of Covid-19; 15% (7.7m) have seen it worsen a lot."

Groups that have been particularly hard hit include:

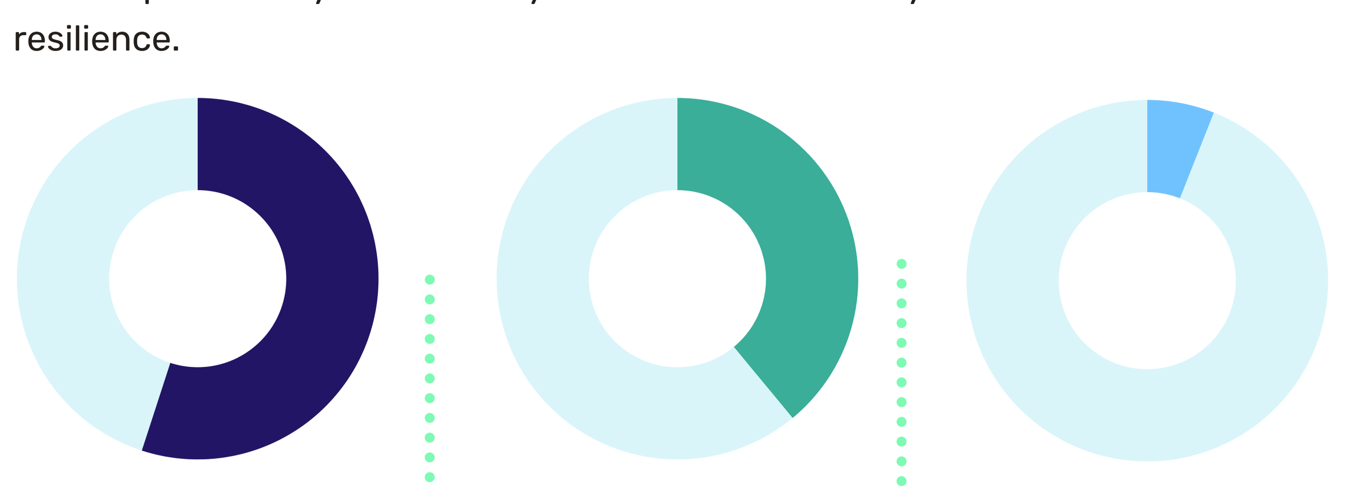
- the self-employed,
- adults with a household income less than £15,000 per year,
- those aged 18-54, in particular young adults aged 18-34

ID.VU identifies



The FCA says "Seven in ten (71%) self-employed businesses experienced a reduction in business revenues between March and October. One in ten (9%) ceased trading altogether."

ID.VU age ranges serve to support the FCA findings that young adults aged 18-34 are particularly affected by financial vulnerability and have low financial resilience.



55%

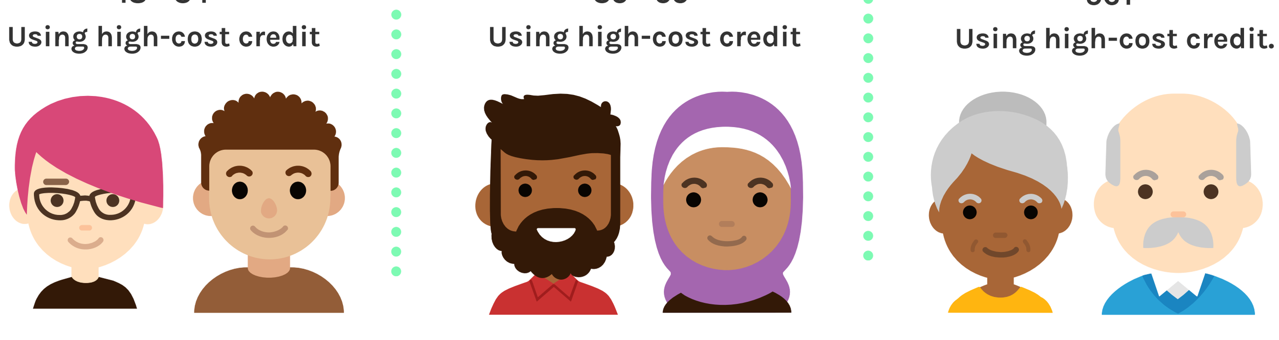
18 - 34
Using high-cost credit

39%

35 - 55
Using high-cost credit

6%

56+
Using high-cost credit.



04

ID.VU Vulnerability Highlights - April 2022

Over the last month ID.VU has highlighted recurring and emerging consumer vulnerability throughout the UK. These are all customers who need help from the businesses who provide services to them.

SHORT-TERM CASH

14,012

Loans specifically for people who need short term cash. ID.VU identifies 164,863 applications for short term cash in the last 12 months.

LOSS OF JOB

11,095

People where ID.VU shows a change in status from Employed to Unemployed or Benefits in the last month.

NEED TO PAY BILLS

33,474

Loans required to help pay household bills. ID.VU identifies 365,483 applications for loans to cover bills in the last 12 months.

REDUCDED HOURS

12,700

People who's working hours have reduced. ID.VU shows 74,415 people who's working hours have reduced in the last 12 months.

PAY RENT/MORTGAGE

5,819

People who applied for loans to pay rent or mortgages. ID.VU shows 55,814 people who needed help to pay housing costs in the last year.

EMERGENCY EXPENSE

54,012

People who needed money to cover an emergency expense. ID.VU identifies 517,715 applications for an emergency in the last 12 months.

05

Over-indebtedness

Over-indebtedness: consumers with characteristics of vulnerability are more likely to fall behind on key household bills or credit commitments.

Life events such as bereavement, relationship breakdown and ill health can contribute to temporary loss of income and greater risk of debt.

DATA ON DEMAND
ID.VU

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06

Sustained income shock.

The FCA says "People who use credit may be able to cope under 'normal' circumstances, and some will have no problems, such as those who pay off their credit or store cards every month. But a sustained income shock may push some into difficulties. This may be particularly true for those who are borrowing using high-cost credit or have levels of borrowing that are unsustainable. For example, in February 2020:

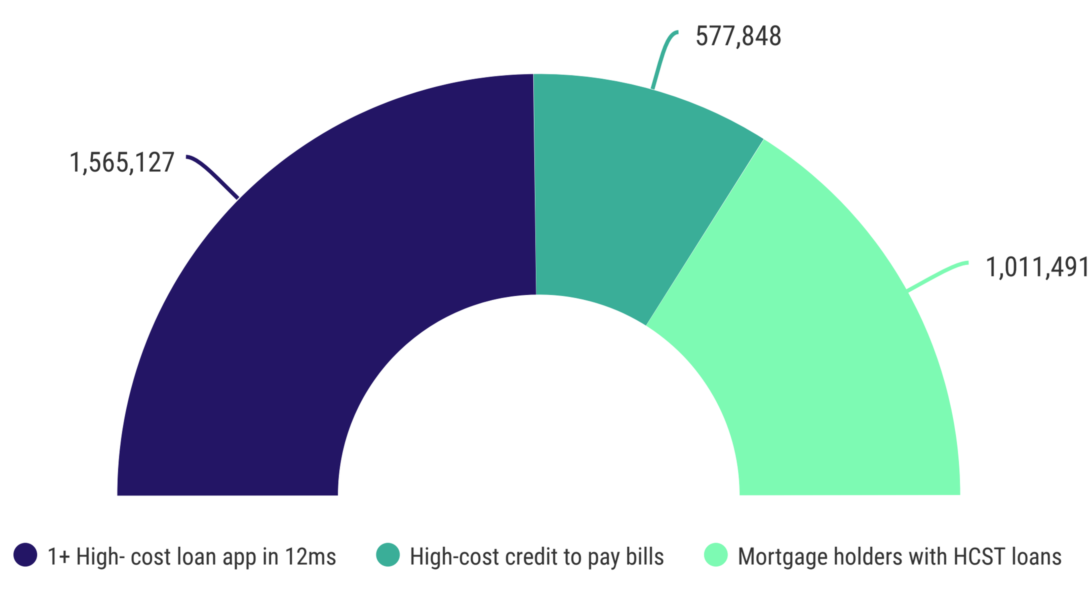
• One in ten (10% or 5.1m) were constantly or usually overdrawn. There was no significant change in these numbers between 2017 and early 2020. Many were using their overdraft facility to pay for essential living expenses, such as their rent or mortgage payments.

• One in twenty (5% or 2.8m) had persistent credit card debt because they were revolving a balance on a credit card and had paid more in interest, fees and charges over the previous 12 to 18 months than they had actually paid off on their card(s).

• One in ten (11% or 5.6m) held one or more high cost loans, unchanged from 2017 (10%). It was very common for people to be using high-cost credit to cover day-to-day expenses.

• Less than 0.5% (0.2m) told us they had borrowed from an unlicensed moneylender or another informal lender in the previous 12 months, unchanged from 2017.

• A fifth (20%) of mortgage holders (3.5m) had outstanding mortgage debt at least four times their annual household income. This was a significant increase on the 14% of mortgage holders in 2017."



The chart shows data from ID.VU for over 1.5m people that have incurred a sustained income shock and supports the FCAs findings about consumers who are borrowing using high-cost credit.

The FCA says "In total, 23.7 million adults (45%) were unable to cover their living expenses for three months or more or were borrowing in one of these ways in February 2020. This placed them at greater risk if they were to experience a persistent drop in income, for example due to furlough or losing their job."

With 2.49m high-cost credit applications, the ID.VU database identifies 10% of all vulnerable people in the UK, with additional insights into life events to highlight the most vulnerable consumers at risk of harm.

07

Relationship breakdowns.

The FCA says "All consumers are at risk of becoming vulnerable (and hence at greater risk of harm), particularly if they display characteristics of vulnerability to do with poor health, a life event, low resilience or low capability.

For example:

"Adults who had a relationship breakdown in the previous 12 months: 20% of these people had fallen into debt because they did not want to deal with difficult financial situations, while 20% struggled to manage their money."

ID.VU can highlight relationship breakdowns using the declared Marital Status from a loan application to highlight where people are Separated, Divorced or Widowed.

147,718

SINGLE PARENTS.

ID.VU also shows 165,525 divorced or separated individuals who have made a high-cost short-term loan application to help them get by financially.

08

Protecting vulnerable customers from fraud and scams.

Unsolicited approaches have increased during the pandemic, increasing the risk of fraud and scams.

The FCA said "In the 12 months to February 2020, 18% of adults (9.3m) received at least one unsolicited approach involving investments, pensions and retirement planning – that might be a scam. Over a fifth (22%) say they definitely received more unsolicited approaches since the end of February than they did before Covid-19; a further 22% think this may be the case."

They asked about potential scams since the end of February related to Covid-19, such as phishing scams designed to look like they are from the Government offering Covid-19 financial support, from the NHS Test and Trace service, or from TV Licensing offering six months of free TV licence because of the pandemic. Over one-third (36%) of adults say that they have received at least one such approach.

A total of 1.4 million adults say they paid out money as a result of a Covid-19 possible scam

Consumers with some characteristics of vulnerability may be more likely to fall victim to scams, including misleading online financial promotions.

They may be specifically targeted through unsolicited approaches, more trusting or more likely to be persuaded to disclose personal financial details.

For example, research has shown that older consumers who may be lonely are more likely to be at risk of being scammed. Some vulnerable consumers may be less likely, or less able, to regularly check their bank account or statements and so less likely to spot unusual transactions. Some may need to rely on informal access methods, which can increase the risk of financial abuse.

For example, the Financial Lives 2020 16 FG21/1 Chapter 2 Financial Conduct Authority Guidance for firms on the fair treatment of vulnerable customers survey showed that 1 in 5 (20%) UK adults, equating to over 10 million adults, had given their credit or debit card to someone else to use, or had shared their current account, savings account or credit card PIN or password with another person in the last 12 months.

09

FCA 'Characteristics of Vulnerability'

10

How can you use ID.VU in your vulnerable customer strategy?

To utilise ID.VU in your vulnerable customer strategy you match your customer data to ID.VU to append flags.

The flags allow you to identify which customers are showing characteristics of vulnerability.

When you have identified the customers who need extra help you can reach out to them with the appropriate communications, at the right time.

ID.VU enables you to record where you have flagged a vulnerable customer, what classification of vulnerability you have identified and allows you to take the required action based on this new knowledge you about your customer.