

Balancing vulnerability and the digital revolution

Does the digital revolution pose a threat to vulnerable customers?

Digital processes are now increasingly commonplace in the lending industry. Numerous challenger organisations have launched in the past decade, each looking to disrupt the market and steal a significant share from established firms. This is helping create an environment where customers are interacting less and less directly with their lender or broker than ever before. Thanks to the ease and speed of online applications, live webchats and smartphone apps, communication with customers is more automated than it's ever been before.

This advancement in technology is aimed at improving the user experience. However, what impact do the advancements have on vulnerable customers? How can lenders ensure they properly identify and help people in need of specific support when there is limited interaction? This issue is especially important when you consider how commonplace mental illness is. According to the mental health charity Mind around 1 in 4¹ of us will experience a mental health problem every year and mental ill health is the largest single cause of disability in the UK².

The Money and Mental Health Policy Institute's report '*In Control*' also revealed that 60% of its 'Money on Your Mind' survey respondents took out a loan while unwell that they otherwise wouldn't have taken out³. Clearly customers experiencing mental health problems should not be discriminated against. However, it's important that as an industry we build in checks and balances that support customers in the most appropriate way possible and avoid creating 'problem debt' for customers and lenders before it arises and escalates.

Digitisation can have a positive or negative affect, depending on a customer's individual circumstances. On the positive side, digital-only offerings can allow consumers to communicate through their preferred channel. Those with mental health issues or recent family bereavements can contact their lender or broker knowing they don't have to have direct human interaction. They can complete an application or resolve an issue without any hassle or having to reveal something that is sensitive to them. Digital channels can also provide links to third party support sites for digital customers to click through to quickly and anonymously.

¹ Mind <http://www.mind.org.uk/information-support/types-of-mental-health-problems/statistics-and-facts-about-mental-health/how-common-are-mental-health-problems/>

² The Money & Mental Health Policy Institute

³ *In Control: A consultation on regulating spending during periods of poor mental health* - The Money & Mental Health Policy Institute (July 2016)

Conversely however, the fact that consumers are interacting less with other humans throughout the lending process means that early warning signs of vulnerability are becoming more difficult to spot. Automated processes won't always be able to effectively recognise if someone has a mental illness or has recently suffered an accident or bereavement and therefore we need to be careful of how far we rely on technology alone. Some systems already go as far as to help safeguard those with mental health issues accessing financial products or promotions inadvertently, but their implementation generally requires the customer to positively access the solution.

At Target we are working with Lenders to navigate the delicate balance. Early warning signs may become harder to identify, but the requirement to treat customers fairly doesn't change. Organisations like The Money & Mental Health Policy Institute have started to study and identify the scale of this problem and the financial services industry must also play its part. After all, helping vulnerable customers before they slip into financial difficulty is in everyone's best interests.

...ends...