

# Embracing New Technology and Consumer Regulation - **A Force for Good**

In recent FCA “Dear CEO” letters to different regulated sectors, the Regulator has reinforced that the Consumer Duty (PS22/9 and FG22/5) poses a significant shift in their expectations of firms' culture, priorities, behaviour and everyday systems and controls. Service delivery needs to be viewed through the eyes of retail consumers, rather than from the viewpoint of or from assumptions made by firms and outcomes need to be transparently captured and accessible.

The FCA reminded firms in the sector of historic concerns about inadequate affordability assessments and treatment of consumers in arrears. As regulated firms work towards meeting the Duty, here at IE Hub we have been reflecting on our core principles and how we apply these by leveraging our unique position of helping both consumers and creditors.


From the outset, the regulator has referenced the cost-of-living crisis and the fact consumers will face increasing pressures on their household finances, their recent guidance on supporting existing mortgage borrowers (FG23/2) emphasises the support they expect lenders to provide and the importance of understanding consumer circumstances particularly relating to evidencing appropriate forbearance.

It is more important than ever that consumers can make informed, effective decisions, act in their interests and pursue their financial objectives.

The IE Hub platform provides a safe environment for a consumer to assess and clearly capture their finances and then consent to share key affordability and vulnerability data with providers they have relationships with.

IE Hub is also a safe pair of hands for a creditor as part of their distribution chain to ensure consistency of working practices and reliable outcomes (e.g. quality of affordability and vulnerability assessments).

Consumers (and indeed the FCA) expect robust and consistent outcomes and this is proving difficult for many given current I&E / affordability processes.

A thick yellow line forming a jagged, upward-pointing shape, resembling a stylized mountain or a series of connected line segments, located in the bottom right corner of the page.

## What issues do we see in the industry?

- **I&E Fatigue**- Consumers have to repeat the process of completing an I&E multiple times, several times a year as they are struggling with multiple creditor dialogues (on average 7-9 creditors based on IE Hub data). This can lead to stress and anxiety not to mention the time it takes.
- **Inconsistent data capture**- How the I&E data is captured includes;
  - Via lengthy unsolicited phone calls- With the consumer forced to pluck numbers out of the air. For the creditor, it also ties up the experienced staff who are wasting time entering data before helping the consumer.
  - Via spreadsheets or forms, sometimes even paper- The engagement rate from this option is typically very low with the outcome being back to the phone call option.
  - Via a point-to-point digital portal- This solves the creditor's operational challenge but the consumer still has 7-9 interactions which if all of these are digital portals, that is 7-9 passwords, processes to follow, information to update, etc...

To us, this is an example of a 'Sludge Process' making it difficult for the consumer and indeed the creditor to make informed decisions on a way forward. It is also causing harm to the mental well-being of a consumer.

## We see these practices leading to;

- **Inaccurate data** – As depicted by the graphic at the top of this paper, how likely is the consumer to give the same picture to each creditor especially if they feel under pressure to provide a number on the phone? This leads to different versions of a consumer I&E being held by different creditors
- **Poor outcomes** – Having different data will lead to different decisions being made by each creditor
- **Lack of consumer understanding** – Having multiple forms, portals, conversations and versions of an I&E means a consumer can easily lose track of what their commitments are, what they have agreed with whom and how much is left for other creditors. This leads to unrealistic, unsustainable outcomes often resulting in a broken arrangement and the whole process starting again.
- **Out-of-date data** – If it is so hard to initially set up an I&E, how likely are consumers to update a creditor if circumstances change?
- **Low engagement** – The barriers, stress and anxiety caused by the broken process are leading to low consumer engagement. One poor collections experience leads to disengagement on mass, compounding the problem through increased arrears and charges.

## A unique approach to helping support Consumer Duty?

We strongly believe that we are supporting a number of the new rules as well as the spirit of the Duty putting the consumers at the forefront of every decision and process.

The IE Hub model is simple, as is often the case with good ideas. We provide a consumer with the ability to 'tell us once' and a means for them to share their affordability data with all of their creditors.

Consumers only have one portal to worry about, which they own and can update as their circumstances change. They can take their time to complete the I&E accurately and not feel under pressure from a creditor. 88% of consumers report our process helping to reduce stress and anxiety.

This is far from a **sludge process** and reduces the potential for **foreseeable harm**.

## Consumer understanding

Firms have been asked to consider their approach to affordability under the Duty, in particular the requirement to avoid causing foreseeable harm. Inadequate assessments of affordability when agreeing on a repayment plan is likely to cause consumer harm. Also by the consumer having control of their I&E Hub account they understand what their commitments are and what is available to distribute to creditors. IE Hub helps deliver outcomes that ensure consumers understand commitments and agree on repayment plans that are sustainable. 88% of consumers tell us they have been able to stick to agreed plans after using IE Hub.

## Consumer support

As well as the ability to 'tell us once' and share many times, IE Hub also supports the consumer to Maximise Income and Minimise expenses. We work with Inbest and have achieved remarkable results – 70% of consumers have been eligible for benefits with an average of over £430 per month. In addition, 24% were eligible for Social Tariffs from their water company. This is all as a result of using the data the consumers have shared once i.e. with no duplication of effort. In addition, access is free to consumers who can just create a budget and understand where they are. They don't have to be in financial difficulty, or share any information. Creditors can simply sign post consumers, to IE Hub, as part of wider financial wellbeing support.

## Outcome-based measures

The detailed information our process captures leads to a robust SFS-compliant I&E. From this core data set, creditors can agree on appropriate outcomes but vitally can provide a full audit of what data decisions were based on and the movement of a consumer's affordability over time and provide evidence of why those outcomes were taken. IE Hub provides a full engagement history that could be material to future dispute resolution and cases that may escalate to the Ombudsman.

## Vulnerability assessment

Vulnerability and understanding the impact of a lack of financial resilience on consumers has been a key message from the FCA for some time. Our existing consumers continue to raise the ongoing focus of the FCA into assessing how creditors identify their vulnerable consumers and then how their processes can cater for their unique circumstances. We are helping our creditors with their identification process via our Vulnerability Radar service which supports self-declaration, checking existing sources of vulnerability data and an AI-based model to identify patterns in the I&E data which could point toward characteristics of vulnerability.

## Recency of data

April 2023 sees the latest SFS expenditure guidance figures being introduced that include a range of rising essential costs. IE Hub automatically updates these figures when they change. We hear stories of large organisations taking many weeks if not months to get the revised figures embedded. Is this not foreseeable harm?

In addition, as the consumer is empowered to be in control of their own I&E Hub account, they can easily update their affordability position and reshare with the creditors that they consent to, in one click of a button. Again not knowing the current position of a consumer in financial difficulty feels counter to the spirit of the Duty.

## Conclusion

At IE Hub we are experts in Income and Expenditure and do not profess to be Consumer Duty Gurus. However, via the work we do with both consumers and creditors, we have learnt a lot about the Duty and what the FCA is looking to achieve.

We feel that what we do and the way we do it means that **we are uniquely placed to help support creditors to meet and exceed expectations around the Duty**. The way we have empowered consumers to significantly improve what can only be described as a horrendous experience for those in debt is evidenced by consumer feedback and the Trust Pilot reviews that show the significant relief consumers feel from the positive outcome of using our service.

Current practices are fundamentally broken and the feedback we get from consumers using our service leads us to believe we are making a difference to them as they navigate their way through a difficult period.

To discuss how we can help your company provide the one true version of themselves please [\*\*click here\*\*](#).



[\*\*https://www.linkedin.com/company/iehub/\*\*](https://www.linkedin.com/company/iehub/)

**Dylan Jones**

CEO

[\*\*Dylan@iehub.org\*\*](mailto:Dylan@iehub.org)

**Mark McElvanney**

CXO

[\*\*Mark@iehub.org\*\*](mailto:Mark@iehub.org)

**Gareth Llewelyn**

CCO

[\*\*Gareth@iehub.org\*\*](mailto:Gareth@iehub.org)