Response to FCA scoping study of access to financial services

17 April 2015

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Key points

Age UK welcomes the FCA's scoping study and encourages the FCA to proceed to a full review of the access issues identified. The key access issues for Age UK's constituency are:

- The need for continued access to customer-friendly physical banking services, that is, services conducted in-branch or in a close substitute for a bank branch.
- The persistence of a group of non-digital older people and therefore the need for continued access to financial services by non-digital means.
- The need for age-friendly design of facilities, devices, interfaces and customer service systems.
- The need for financial service providers and the FCA to understand how access barriers (distance, disability, limited or no Internet access etc) operate cumulatively.
- Unjustified age discrimination, which persists (for example) in travel and motor insurance, and particularly in mortgage lending. Although the industry has an exception from the age provisions of the Equality Act, the recent judgement of the Financial Ombudsman Service[1] in relation to HSBC suggests that providers may not be meeting the terms of this exception.
- Consideration of any extra costs or restricted competition arising from poor access.
- The need for good systems for operating Powers of Attorney and delegated banking (signatures, identification, home visits etc).

Introduction

Age UK is a charity and social enterprise driven by the needs and aspirations of people in later life. We provide information and advice to over five million people each year, conduct campaigns, training and research focused on later life and assist a network of around 165 local Age UKs throughout England. The Age UK family includes Age Scotland, Age Cymru and Age NI. We are a member of the FCA consumer network and communicate regularly with the FCA. We also communicate frequently with many individual UK financial institutions. We are glad to take this opportunity to contribute to the FCA's scoping study on access to financial services.

Age UK receives evidence from a variety of sources including: local Age UKs, participants in policy forums and consultation events, clients of advice services, callers to the national information and advice line, emails from older people around the country and results from formally-conducted research. We are therefore well placed to understand which financial service access issues are topmost in the minds and lives of older people.

[1] Financial Ombudsman Service (FOS) Ref: DRN9905176.

Older people make use of a wide range of financial services from transactional banking to investments and pensions. Many interactions with the financial services industry proceed smoothly. However, we receive persistent enquiries and feedback about a range of challenges and barriers that suggest there are significant access issues for the regulator to study. This submission highlights key issues that have come to our attention and gives examples of the comments and evidence we receive. In our view, these warrant systematic study by the FCA and the development of appropriate remedies.

Access to physical banking services

As FCA will be aware, the BBA recently announced an "access to banking protocol" that sets out the procedures to be followed in the case of planned closures of individual bank branches. This protocol was negotiated between the BBA and BIS with input from (but not formal agreement with) the charity and consumer sector including Age UK. It reflects widespread concern, particularly on the part of older people and the small business community, that withdrawal of physical banking services from smaller towns and rural communities will impose significant detriment on local residents and businesses. One Age UK correspondent described his situation as follows:

> "It is winter, the only wheelchair accessible branch is 7 miles away and the infrequent bus would mean a two to three hour round trip. Internet banking requires adequate speeds, reliable connections, adequate security and skill, none of which I can guarantee."[2]

Because digitally-enabled people are migrating to Internet, phone and mobile banking (a good thing in itself) banks are continuing to review their branch networks and hundreds more branch closures are expected over the next few years. This is likely to leave two overlapping excluded groups:

- People who are not digitally-enabled.
- People who need to visit a branch because of some complex function or transaction they need to carry out – for example, cashing in a savings product.

The business community too will be affected. If there is a resulting decline in local businesses, older people will be affected by the loss of these services too.

The "protocol" draws attention to possible alternatives to conventional branches, including the use of new technologies and the post office network. Age UK is supportive of these alternatives where they exist and provide suitable services. However, our observation is that alternatives – particularly higher-tech alternatives - are at an early stage of development and may not in practice provide a suitable alternative in the near future.

[2] Extract from a complaint letter to a named bank, 2015, copied to Age UK.

An issue revealed by Age UK research for our 2011 report *The Way We Pay* was the concern of people aged 75+ about security of on-street cash withdrawal. Only 34% of the 75+ age group preferred withdrawing cash from an on-street cash machine, compared with 79% of the 45-54 age group.[3] Their preference was for cash withdrawal in branch, in post office, by cashback when shopping or from an ATM in a bank or building society branch. The security concerns were about being mugged or not noticing that an on-street cash machine had been tampered with.

The key point is that there will continue to be a need for physical banking services in safe locations for a substantial group of older people for the foreseeable future. This is an access issue the FCA should study. FCA interest will complement the planned 2016 review by BIS of the operation of the “access to banking protocol”.

Persistence of a non-digital group of older people

Older people are highly diverse when it comes to Internet and mobile uptake. Some older people are “digital natives” comfortable with a range of devices and services, while others are late or non-adopters for a variety of reasons. Surveys by Ofcom, ONS and others have shown a strong statistical association between Internet use and age and Internet use and income, with older and low income people having particularly low rates of Internet uptake.

According to Ofcom, in Q1 2014 significant proportions of older people did not have access to the Internet at home: 33% of the 65-74 age group and 68% of the 75+ age group.[4] According to ONS, in Q1 2014, only 37% of adults aged 75+ had used the Internet. Of these, 15% had not used the Internet within the last three months.[5]

There is a pronounced regional pattern in Internet usage. In most of London and surrounding areas the Internet usage rate for all age groups is over 90%, but in outlying regions it is often less than 80%. The UK does not yet have a policy for universal fast Internet access and there are significant variations in Internet speed even within London.

In addition, many pensioners have low incomes. In 2013, 60% of pensioners had incomes of £10,000 or less per person per year. Twenty per cent of pensioners had incomes of £5,500 or less per person per year.[6] 1.6 million were living below the official poverty line. Such low incomes restrict people’s ability to buy new computer equipment and software and to pay broadband charges.

An Age UK adviser reported a conversation with a 78 year old female participant in an older persons’ forum in the following terms:

[3] Age UK, *The Way We Pay* (2011), p 45, based on an omnibus survey carried out for Age UK by Ipsos MORI.
[4] Ofcom, *The Communications Market 2014*, p 264.
[5] ONS, *Internet Access Quarterly Update*, Q1 2014.
[6] DWP Pensioners’ income series 2012/13

> "She feels left behind. She used to work with computers but only for what she was taught to do. Now she feels left behind with the computers and phones that her grandsons have.
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> "She has a 'dodgy' computer. She just uses it for emails but has problems. The screen goes blue and the emails disappear. Computers are expensive and if it goes wrong she has to pay a lot to have it repaired. She wouldn't use it for banking or shopping because she is worried about scams and people accessing her bank details. If she made a transaction, she wouldn't be able to sleep at night because she would be worried, so she stays away from this.
>
> "There has been a lot of change with new technology. She is keen to keep some older traditional ways of doing things as they make it easier for older people. Also it can be hard to use technology due to arthritis."[7]

Age UK's 2013 *Digital Inclusion Evidence Review* found that the proportion of older people not using the Internet was decreasing, but in a non-linear fashion, meaning that, at current rates of change, a substantial minority (10%+) is expected to be non-digital as late as 2040.[8] We can hypothesise that digital exclusion may become increasing analogous to being unbanked: as the percentage of people who are unbanked has got smaller, the reasons for being unbanked have changed – it is no longer a simple matter of disinclination, but often issues such as poverty or bankruptcy that keep people out of the banking marketplace.

One of the concerns that older people often raise is what they see as unfair charges for people who are offline – for example, people who buy energy online can access extra discounts, while there may be extra charges for a paper bill. At the moment, many regulators have a principle that any extra charges should be 'cost reflective' – in other words, should not exceed the marginal cost of providing the service. However, this may become untenable if the marginal cost rises beyond the level an individual can expect to bear. Instead there may be an argument based on the Equality Act that equitable access to essential services should involve an element of cross-subsidy or public funding. This approach has already been taken in the context of the Post Office Card Account.

These observations raise the following access issues:

- The need for universal Internet and mobile coverage at sufficient speeds to permit convenient Internet and mobile banking.
- The continued need for physical banking services for those remaining non-digital.

[7] Participant in Age UK older persons' forum in conversation with Age UK adviser, April 2015.
[8] Age UK, *Digital Inclusion Evidence Review*, 2013, pp 26-27, http://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Research/Age%20UK%20Digital%20Inclusion%20Evidence%20Review%202013.pdf?dtrk=true

- Access to cash or paper-based payment methods (e.g. cheques) alongside new digital payment methods.
- The need for inclusive (age-friendly) design of analogue and digital banking services.
- The need for fairness in allocation of costs.

Need for age-friendly design

The need for age-friendly design applies to technologies, interfaces, software, menus, system processes, telephone call centres and other customer contact services, interaction speed and staff training. Where design has not been made age-friendly, an access barrier arises because people are deterred from trying to carry out certain functions on the basis of past experience or the reported experience of others. In some cases people embark on a banking process but may be unable to complete it because of an issue arising from faulty design or faulty delivery. Older people report to us a range of problems such as:[9]

- Complexity of telephone menu systems.
- Difficult-to-understand call centre staff accents, or call centre staff not being able to understand what the older person has said to them.
- Staff speaking too fast and/or requiring a faster response than the older person can manage.
- Difficulty in memorising and using PIN numbers, passwords and passcodes.
- Difficulty in remembering other information required for security verification purposes, such as recent account transactions.
- Concern about reliability of the Internet.
- Technologies that are too fiddly, require more dexterity than a person has, don't seem to work in a way that seems logical to the user, etc.

Many of these design flaws affect younger people as well, but younger people may be more able to navigate the obstacles and arrive at a solution. Improved design would, however, benefit everyone, not only older people.

A 2015 correspondent to Age UK, in a complaint letter to his bank, described the situation as follows:

> "Problems arise when I need to speak to [named bank] staff by phone. Your initial automated security questions only require numbers imprinted in long-term memory... However, the next level of 'security questions' are no longer of the 'mother's maiden name', 'first car' variety which rely on long-term memory. The questions are transaction-based, some about DDs but often about specific transactions one to ten days ago.

[9] Age UK, *The Way We Pay* (2011) pp 38-39.

> “I asked [named bank] staff how I was to know this and the answer was :
> a) I am not expected to remember (?)
> b) statement (I get a printed statement *monthly*, so this is clearly aimed at online banking)
> c) mini statement (this means a trip to a [named bank] ATM in town, see above, and only covers a few days)
> d) transaction slips (filed in batches and kept in safe)
> e) writing down up to two weeks’ worth of automated ‘recent transactions’ (quite a lot of transactions). I only have restricted use of one hand (the ‘wrong’ one), so it is hard to listen, write and key or handle papers while on the phone.
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> “After ‘failing security’, I received an unsolicited text with a numerical six digit passcode which I accidentally deleted without noting it as I was on the phone to your operator. I insisted on the passcode being deleted, as I cannot undertake to memorise one new numerical sequence. I have about eight accounts of various types, most with own PINs etc. Having evolved an aide memoire system some time ago I am now finding that it is unsustainable.”

We recognise that financial institutions must carry out the necessary security checks and, indeed, that they must be alert to fraud and abuse. However the whole area of institution-customer interface appears to us to be in need of further innovation in technologies, services and practice. In our experience, financial institutions often work individually on these issues, but we recommend a more collaborative approach to solving common design problems, preferably as part of a UK-wide research and development initiative.

Cumulative effect of access barriers

The access barriers described in this submission operate cumulatively as well as individually. That is, a person with restricted mobility, dexterity, sight or hearing may also be living in a non-urban area which has lost its bank branch and has limited Internet coverage and/or patchy mobile coverage. The letter quoted above is an example of such a situation. We recommend that the FCA’s access study include a geographic element that enables locations and people affected by multiple access barriers to be identified. A useful example has been the work carried out to establish areas with poor access to free ATMs.

Unjustified age discrimination

The Equality Act 2010 outlawed unjustified age discrimination, but introduced a wide exception for the financial services industry. We believe the time has now come for the FCA to review how well this exception is working, and whether the industry is complying with the terms of the exception. The recent HSBC case (Financial Ombudsman Service Ref: DRN9905176) suggests otherwise, as the Financial Ombudsman commented:

> “Rather than considering Mr A and Ms B’s individual circumstances, it seems that the information the Bank relied on included untested assumptions, stereotypes or generalisations in respect of age and wasn’t relevant to Mr A and Ms B’s circumstances.”

Age limits continue to exist in travel and motor insurance. We think the FCA should consider the extent to which these age limits inhibit the effective working of competition in the interests of older customers.

Age UK receives many calls about mortgages. Often the mortgage is an aspect of complex financial circumstances facing the caller or person on whose behalf they are calling. However, some of the calls reveal access issues of a more general nature. Looking at recent call logs from our Information and Advice Department, the most frequent of these are:

- The application by lenders of an age limit of 70 or 75, which appears to our callers to be an arbitrary age limit rather than being based on an analysis of affordability for the caller or specific risks relating to the caller.
- Callers unable to re-mortgage or extend the term of an endowment or interest-only mortgage, even if they can afford the interest on their current mortgage.

The following anonymised quotes from the log give a feeling for how these issues are experienced by callers to Age UK:

> “Caller has been refused a mortgage beyond the age of 70 by a high street bank… Caller has asked the bank for ‘relevant information from a source on which it is reasonable to rely’ to base risk assessment and has been told it is just that ‘at age 70+ people’s circumstances have changed’.”

> “I was amazed to find today that as a current home owner, although I was approved for a small mortgage on line, when I went to branch they advised me that banks will not offer mortgages that extend beyond a person’s 75th birthday.”

> “Caller and husband have an endowment mortgage with £139,000 outstanding which is due in March. The mortgage company says it won’t re-mortgage and referred the caller to Money Advice Service and Age UK.”

> “Caller has an interest-only mortgage of £30,000 and is seeking further financial assistance of £3,000 to make housing improvements… Caller told that the rules have changed and caller cannot access further £3,000 unless she changes to a repayment mortgage, which would increase her monthly repayments to a figure caller feels would be unmanageable.”

When we have raised these issues with individual financial institutions we have been given a variety of explanations, none of them completely convincing. We have formed the impression that the industry is hesitant to manage loans in the later life of customers. This has found expression in rules that may breach the Equality Act, appear unfair to our callers and in some situations threaten the loss of their home.

We recommend that the FCA look into mortgage availability for the over-70s. While nobody would condone lending to someone who cannot afford to repay, we are concerned that the imposition of blanket age limits is unnecessary (given the strict affordability rules under the MMR) and we question whether lenders are necessarily complying with the Equality Act. For those who can afford to service a loan in later life, it is unfair to be forced into the more expensive loans (or equity release) offered by niche lenders, rather than having access to the wider marketplace. We think such a review would also be timely in the context of the pensions 'freedom and choice' reforms, which may encourage lenders to lean on people to use their pensions to repay a mortgage even if it is not in their best interests to do so. We have previously called for good practice guidelines to be developed to ensure that the interests of borrowers and lenders are balanced.

Access to delegated banking and Powers of Attorney

Age UK's information and advice service (I&A) has two levels, with "Level Two" enquiries being those passed to more senior advisers for a more detailed discussion. I&A produces monthly reports by topic and among the "Level Two" enquiries, delegated banking and powers of attorney are two of the most frequent topics across the whole of the I&A list. We know the FCA is aware of this problem as it was described in the FCA report on Consumer Vulnerability (February 2015) and in presentations to the FCA conference on consumer vulnerability on 23 February 2015. However, we hear reports of difficulty with delegated banking and Powers of Attorney so frequently that we wish to reiterate the problem here.

Proof of identity and poor system design seem to be the two central issues, with inconsistent branch-level implementation of policy being a likely third source of difficulty. Here is a typical situation reported to our I&A team:

> "My Mum has recently been granted power of attorney (PoA) for my father, who has dementia and has been in a nursing home since September 2014. However, even though she has PoA, she is struggling to access his accounts in banks/building societies in order to pay for his care/accommodation. She has been told the original PoA document needs to be sent away, or she needs to come into the bank/building society in person. She is disabled and has not been out for a long time, but when she has asked the bank/building society to send someone to the house, they say they won't do this. Please advise. My Mum is planning to ring

and discuss this with the solicitor, but obviously more input from the solicitor will incur cost."[10]

The Office of the Public Guardian (OPG) is registering 2,500 Lasting Powers of Attorney *per day* with 1.3 million already registered.[11] The number registered is growing at 35%+ per annum. This is clearly a major access issue, with millions of people directly or indirectly affected. The OPG reports a high volume of complaints about the handling of PoAs, with 54% of complaints being about the practicalities of lodging a deed and 13% about restrictions on banking facilities.[12]

While we hear frequently of difficulties with PoAs, we have also heard of system improvements and of variations in practice among financial institutions. For example, we would be interested to know the extent to which organisations comply with best practice on ID verification, as set out in the BBA/BSA's own leaflet. While some organisations are reported to take a strict approach to photo ID, requiring a drivers' licence or passport that older people may not have, other organisationss have told us they take a more flexible approach and work their way down the list of approved ID documents until they have seen enough documents appropriate to the customer (or customer's attorney) to be able to confirm the person's identity. Lloyds Banking Group reported to the FCA's Vulnerable Consumers conference that by redesigning its PoA process, including the use of a specialised PoA team, it was able to reduce complaints by 60% over an 18 month period.[13]

We recommend that the FCA continue highlighting the need for improved systems for facilitating delegated banking and PoAs, assist the industry innovate and develop best practice and, working with the OPG and other interested groups, set benchmarks for performance that lead to a sustained high level of customer satisfaction with the recognition and operation of PoAs.

Savings

From the records kept by our Information and Advice Service[14] we have not picked up a serious problem of access to savings accounts, per se. The issue here is more to do with low interest rates, proliferation of savings "products" and lack of effective competition – the issues discussed in the FCA cash savings market study (Jan 2015), on which Age UK has

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[10] Report of enquiry to Age UK I&A line, January 2015.
[11] Alan Eccles, Public Guardian, *Presentation of BSA Vulnerable Adults Seminar*, 27 March 2015.
[12] Ibid.
[13] Paul Jackson, Retail Business Risk Director, Lloyds Banking Group, *Customers with Additional Needs*, Presentation to FCA Vulnerable Consumers conference, 23 February 2015.
[14] For the purposes of this submission we searched the I&A database for all Level 2 enquiries in the financial, savings, banking and insurance categories over the period October 2014 to March 2015. "Level 2 enquiries" are those that are passed from the call handler to a more senior adviser for a more detailed conversation.

made a formal response.[15] Our response supported the remedies proposed by the FCA but suggested, in the light of the large cash savings balances in low interest rate accounts, that further remedies be adopted to prompt customers to seek higher interest rate offers and to apply a “most favoured interest rate” policy to essentially similar accounts.

Our general points about age-inclusive design are likely to be relevant in the context of withdrawing money from savings accounts. For example, how would a savings institution deal with someone who set up an online savings account and later needed the money but could not remember the password or had developed mild cognitive decline?

Insurance

Again, a search of recent enquiries in our Information and Advice database has not thrown up a large volume of complaints about access to insurance. Most of our recorded insurance enquiries are related to the terms of insurance policies in the context of particular claim events. We are aware from previous research, however, that access to insurance beyond a certain age (e.g. travel insurance at age 75+) can be problematic and/or expensive. In the context of an access scoping study we think the time is right for the FCA to conduct a general review of the way the age exception to the Equality Act is being applied by insurance companies and other financial institutions.

Conclusion

Age UK welcomes the FCA’s intention to conduct a study into access to credit, transactional banking, savings and insurance. The key points of our submission are set out at the beginning of this document. A persistent area of difficulty is access to physical banking services, particularly when a person experiences a limitation in mental or physical capacities. Many of the complaints and requests for advice we receive relate to difficulties with delegated banking, Powers of Attorney, identification procedures and security questions for telephone and Internet banking. The industry is clearly still “challenged” in terms of devising systems that work smoothly for the customer who is not completely mobile and able. The branch closure programme makes this challenge more pointed. Further innovation and improvements to customer service systems will be required before the industry can claim that it is fully accessible to all customers and potential customers.

(end)

[15] Age UK, *Consultation Response – FCA cash savings market study*, 13 February 2015.