

## Personalising Financial Services: Promoting Fair Treatment of Vulnerable Consumers

A progressive and inclusive financial system is characterised by the presence of financial institutions that are responsive to the needs of financial consumers. Bank Negara Malaysia's (BNM) mandate includes regulating the business conduct of financial institutions to engender trust and confidence in the financial system. BNM promotes fair treatment of consumers, including vulnerable consumers by strengthening business conduct standards on financial institutions to better respond to their needs.

Any person may experience or go through vulnerable circumstances at some point in their lives due to unavoidable or unpredictable life events. Vulnerable consumers may face greater constraints in their ability to act in their own best interests and hence, face higher risks in their capability to respond to such events. BNM expects financial institutions to exercise greater care when they are dealing with vulnerable consumers and to respond to their specific needs appropriately. The introduction of additional requirements for financial institutions to ensure their products, services and delivery channels can better meet the needs of vulnerable consumers aims to reduce the likelihood of unfair treatment or exclusion from essential financial services.

### Types of Consumer Vulnerabilities

The circumstances that can contribute to vulnerability covers a wide spectrum that can arise from factors such as health issues, medical conditions, level of income and savings, life events, level of education and financial capability as well as age. A combination of these factors, such as having a low level of financial literacy and low financial resilience can also amplify vulnerabilities for some consumers, making them less able to cope with their financial circumstances. This is also true when significant life events affect a consumer at the same time. For example, experiencing a serious illness or injury after an accident or job retrenchment. Consumers experiencing such vulnerabilities often face constraints in making informed financial decisions and may not be able to fully benefit from financial development and innovations such as the use of digital financial services.

**Diagram 1: Consumers in Vulnerable Circumstances**

#### Challenges in access



- Faces challenges in accessing financial services or requires assistance to engage with financial services.
- Example: individuals with disabilities or senior citizens who need assistance to use digital financial services.

#### Low financial resilience



- Have limited capacity to withstand financial shocks.
- Example: individuals who are highly indebted or have little or no savings.

#### Adverse life events



- Experiencing or have experienced temporary or long-term financial hardship due to adverse life events such as job loss, natural disaster, the death or total permanent disability of the main breadwinner.

#### Limited financial skills



- Have limited understanding on financial matters, poor language skills or limited digital skills.
- Example: individuals who have low financial skills, who are illiterate, or who are not conversant in Bahasa Malaysia or English.

Source: Bank Negara Malaysia

## Anticipated Outcomes of the New Measures for Consumers

With the introduction of new measures on fair treatment of vulnerable consumers in the existing Policy Document on Fair Treatment of Financial Consumers, financial institutions are required to consider the specific circumstances of vulnerable consumers and how to address the issues they may face. The board of directors and senior management of financial institutions are expected to ensure reasonable standards of fair dealing that are informed by a better understanding and consideration of the needs of vulnerable consumers. This in turn must be supported by appropriate policies and processes to deliver improved customer experiences for such consumers. The measures also serve to ensure that consumers are provided with relevant information on actions they can take to receive the assistance and support appropriate to their needs should they encounter a sudden change in their financial circumstances.

The examples below illustrate how vulnerable consumers may be assisted by staff who are equipped with appropriate training to recognise, assess and respond to signs of vulnerability. This would reduce the likelihood of vulnerable consumers making poor financial decisions that may have detrimental implications on their financial well-being.



Mr. Tan is a retiree with no regular income. He went to the bank to close his fixed deposit account. Based on the recommendation of a friend, he wanted to place his entire savings in a high-risk investment product which promised higher returns compared to fixed deposits. The staff explained the risks involved in the language and manner he can understand. The staff alerted him on the possibility that he might make losses on his investment and advised him to reconsider if it was safer to keep his money in low risk investments such as fixed deposit or a money market fund.



Loga is a deaf consumer but holds a steady job with a good income. He cannot read and understand English and Bahasa Malaysia well. He went to the branch to sign his housing loan agreement. When prompted by the branch staff to read the agreement before signing, he did not respond. The staff who has been trained to identify consumer vulnerability sensed that he has hearing disabilities. The staff took the time to explain the key terms to him using simple written notes and visual aids. Loga was able to understand his rights and obligations prior to signing up for his housing loan.

It is important for all consumers to have easy access to information on whom they can contact if they need assistance or advice from financial institutions in managing their financial obligations in the event that they encounter a sudden change in their circumstances. As vulnerable consumers may have different communication needs, financial institutions are expected to provide a range of communication channels. This would enable vulnerable consumers to better convey their needs through a channel they find most convenient and are comfortable with as illustrated in the example below. Financial institutions are also required to regularly test the effectiveness of channels used to communicate important information to vulnerable consumers. Financial institutions' customer service processes should hold their staff to standards that emphasise treating vulnerable consumers with sensitivity and respect, with appropriate flexibility provided for staff to deliver tailored responses where necessary to alleviate genuine financial hardship. This would enable such consumers to better cope with challenging life events and avoid further financial distress.



Sheila was recently diagnosed with cancer and required hospitalisation. She wanted to make a claim on her critical illness insurance policy. She needed to contact her insurer by phone given her situation. When she called, the customer service officer enquired about her diagnosis, was able to understand her needs and helped to email the relevant forms that she needed to complete to make a claim. Sheila's claim was promptly processed. The staff also informed her of other digital channels which Sheila could use should she need to contact the insurer again.

The new measures will come into effect in 2025 after a period of transition for financial institutions to comprehensively review and enhance their current policies and processes. While BNM strives to lift overall standards of fair dealing that financial institutions are expected to meet, BNM remains focused on intensifying financial education initiatives to help consumers to make better financial choices as the strongest form of protection against consumer harm.