

## Money and Mental Health's response to the Lending Standards Board consultation on The Standards of Lending Practice for personal customers

The Money and Mental Health Policy Institute is a research charity, established by Martin Lewis to break the link between financial difficulty and mental health problems. Money and Mental Health welcomes the opportunity to respond to this consultation and help to shape the LSB's Standards of Lending Practice for personal customers.

Our response will introduce key evidence on the links between mental health problems and financial difficulties, and how this is relevant to lenders and the lending process, and will then offer some specific feedback on the proposed lending standards and accompanying guidance for firms.

### Background:

In any given year, one in four people will experience a mental health problem<sup>1</sup> which can affect their cognitive and psychological functioning, and make it significantly more difficult for them to engage with financial services firms, control spending and manage their money effectively. Symptoms of mental health problems can affect customers' financial capability in a variety of ways, common examples include:

- Increased impulsivity - which can lead to higher spending, sometimes enabled by credit
- Reduced planning and problem solving ability - which can make it difficult to understand complex financial products and to make informed decisions.
- A lack of motivation - which can lead to disengagement from financial management and financial service provider.
- Anxiety and phobias - which can lead to difficulties engaging with certain communication channels, most commonly opening post or using the telephone.
- Memory problems - which can make it harder to remember account security information or to stay on top of financial management.<sup>2</sup>

As a result of these financial capability problems, many customers with mental health problems struggle with financial management. Across the country one in four people experiencing mental health problems are also in problem debt, three times more than people without.<sup>3</sup>

Whilst many financial services firms do have offer specialist support for customers identified as vulnerable, they often rely on consumers disclosing information about their problems to identify those in need. Money and Mental Health research shows that people experiencing mental health problems often do not feel comfortable disclosing information about their health condition, and as a result miss out on support. Only one in three respondents to a recent

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<sup>1</sup> McManus S et al. Adult psychiatric morbidity in England, 2007. Results of a household survey. NHS Information Centre for Health and Social Care. 2009.

<sup>2</sup> Holkar M. Seeing through the fog. Money and Mental Health Policy Institute. 2017.

<sup>3</sup> Jenkins R et al. Debt, income and mental disorder in the general population. Psychological Medicine 2008; 38: 1485-1493.

Money and Mental Health survey of people experiencing mental health problems reported that they had disclosed their condition to a financial services provider, and just one in ten had received additional support.<sup>4</sup> Money and Mental Health encourages firms to reduce this reliance on customer disclosures, by designing products and services that are inclusive from the outset, and by proactively identifying customers who are struggling to use their products or appear to be at risk of financial detriment.

## Product sale

While the Standards of Lending already include under “consumer vulnerability”, item 6, a commitment to offer relevant support during the application process, and a commitment to ensure customers have sufficient information in “product sale” clause 2, many people with mental health problems apply for credit at times when - they later report - they may not have had the capacity to make the decision. In a survey of 5,5000 people with experience of mental health problems, 59% of respondents reported that they had taken a loan out when unwell that they wouldn’t otherwise have take out.<sup>5</sup> Increasingly, credit applications, both for credit increases and new products, are moving online, where standard ways of assessing a customer’s capacity through direct conversation aren’t possible. We believe lenders need to do more to support vulnerable consumers through online application processes, including explore ways to use data to identify online customers who may not fully understand the terms of a credit agreement, and provide a range of tools to ensure these customers get support to make an informed decision. We would recommend that an additional clause is added to the Standards on product sale to encourage lenders to do more to support customers taking out credit online.

## Money management

Money and Mental Health welcome the requirement that firms help customers with financial management. In addition to the existing Standards, we would recommend that firms should allow consumers to self-exclude from further credit. When unwell, people sometimes make harmful decisions on impulse - like taking out new credit they can’t afford, or extending existing credit limits. Customers should have the right to protect themselves from making financially damaging decisions while unwell. In addition to this, firms should offer customers the right to opt out of marketing of credit and automatic extensions of credit limits. This would substantially strengthen the existing standards, and support the LSB’s ambition to support best practice.

There is also more that credit card providers, in particular, could do to help consumers use their card safely. Most customers, most of the time, benefit from the convenience of card payments. But with contactless, card details saved at online checkouts, and phone payments, for some customers there is too little friction to check impulsive or harmful spending, which is closely associated with periods of poor mental health. All credit cards should offer customers the right to: set a daily, weekly and monthly spending limit, turn the card off remotely, block

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<sup>4</sup> Holkar M and Evans K. Levelling the playing field. Money and Mental Health Policy Institute. 2017.

<sup>5</sup> Mackenzie P and Holkar M. Money on your mind. Money and Mental Health Policy Institute. 2016.

payments online or with certain categories of merchants like gambling, and set a cash withdrawal limit.

## Financial difficulty

We welcome the Standard's commitment to identifying and supporting vulnerable customers (Financial difficulty clause 5), and to signposting customers to free, impartial debt advice. However, for customers in the midst of a financial or mental health crisis, it isn't often enough to tell them who else to call: once the phone is put down, it can be too late. To make it easier for vulnerable customers to get help, call centres need to be able to transfer customers directly to support services, such as debt advisers and the Samaritans. We would encourage the LSB to strengthen language around 'signposting' to 'redirection' to encourage this best practice.

Money and Mental Health welcome the LSB's commitment to encouraging firms to use consumers' preferred communication methods, and specifically mentioning authorised third parties. However, in practice, few firms collect information on preferred communication methods, or offer a wide range of communication methods for all queries. To ensure that communications are accessible for people with mental health problems, and particularly that customers are able to get in touch when they are experiencing difficulties, firms should offer a range of communication channels including, where possible, digital channels such as webchat and email. We would advise the Lending Standards Board to include a reference to accessible communications in their overarching principles, and in the requirements on "account maintenance and servicing" in addition to strengthening the standards in "financial difficulty".

The LSB could also strengthen standards around third party communication. During a mental health crisis - as in other emergencies - people may not be able to manage their money well, or to communicate with financial service providers. Lenders should systematically collect customers' emergency contact details - and allow customers to authorise their emergency contact to see their statements or to make limited decisions in a crisis. Some people may also want to authorise firms to talk to NHS or social care professionals. Including this recommendation in the Standards of Lending to Personal Customers could play a vital role in driving the uptake of this best practice across the financial services industry.

Money and Mental Health welcome the LSB's insistence that the debts of customers with ongoing mental health problems are not sold on to third parties. However, in practice it will not always be possible to know which customers are or aren't experiencing mental health problems. To minimise harm, firms should only sell on accounts to firms that:

1. Have a published and appropriate policy on the treatment of vulnerable customers
2. Train all frontline staff in basic mental health awareness, for example Mental Health First Aid training or similar

With regards to "governance and oversight" - the above principles should apply to all third parties to whom part of the credit process / life cycle is outsourced.

## Consumer vulnerability

Money and Mental Health welcome the requirement that lenders design inclusive products and services, and proactively seek to identify vulnerable customers. This is likely to be of particular benefit to customers with mental health problems, many of whom will not access additional tools or support if they are first required to disclose information about their health condition.

We also welcome the commitment under clause 3 in this section to ensure that employees are adequately trained to identify and support vulnerable customers. We would recommend that firms seeking to meet this standard should ensure front line staff receive basic mental health awareness training, knowing what to look for and how to help. Specialist teams for vulnerable customers - especially in collections - need extra training, as half of customers in problem debt also have a mental health problem.<sup>6</sup>

As part of their monitoring and assurance work on vulnerability (clause 8), we recommend that firms specifically analyse how well they are serving customers with mental health problems. This would recognise the significant size of this vulnerable customer segment and the particular manner in which mental health problems can affect customers' financial behaviours and outcomes.

## Further information

Money and Mental Health have developed a series of best practice guides for lenders, including specific guidance for credit card providers and current account providers offering overdrafts.

These checklists can be found at

<https://www.moneyandmentalhealth.org/vulnerable-customer-best-practice/>.

We would welcome a further conversation with the Lending Standards Board on how the Standards can best be used to support consumers experiencing mental health problems.

Please email [merlyn.holkar@moneyandmentalhealth.org](mailto:merlyn.holkar@moneyandmentalhealth.org) if we can be of assistance.

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<sup>6</sup> Jenkins R et al. Mental disorder in people with debt in the general population. *Public Health Medicine* 2009; 6, 3: 88-92.