

Customer vulnerability

Decision-making when purchasing a vehicle



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The guide was written by Chris Fitch, Vulnerability Lead Consultant and Colin Trend, Lead Trainer at the Money Advice Trust and features contributions from Santander Consumer Finance who co-ordinated discussions with motor dealerships and other staff to inform the content of the guidance.

The Money Advice Trust is a charity formed in 1991 to help people across the UK tackle their debts and manage their money with confidence.



Getting started

Why should I read this?

This guide will help you:

- meet your legal/regulatory duties (including the Consumer Duty)
- treat every customer fairly
- improve your approach to sales.

The guide is written in separate parts. You can 'dip in', or read it in one go.

What is it about?

The guide is about customers who have **serious problems** with decision-making.

If we **do not** spot these problems, these customers could make a purchase:

- they do not really understand
- they cannot afford to repay
- which leads to a vehicle being returned, or taken back.

This clearly does not help the customer, your firm, or yourself. You may also end up breaking Financial Conduct Authority regulation or wider laws.

Who should read it?

- Anyone in contact with customers.
- Anyone who delivers training on customer vulnerability.
- Anyone with a responsibility for customer vulnerability strategies.
- Anyone with a responsibility for Consumer Duty compliance or policy.

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Introduction: how customers make decisions

What's important to know?

Most customers will be able to make decisions without difficulty.

However, a surprising number will encounter serious problems.

It is our job to look out for these problems, and provide support to overcome them.

To do this, you need to know how customers make decisions.

What is a decision?

A decision is simply a choice.

When we make a decision, we might do so quickly (using our 'gut instinct', what we know, or our experience).

Or we might slowly think through the different parts of a decision, and the consequences of different choices.

Everyday decision-making

In daily life, 'fast' decision-making is used a lot (it is quick and convenient). However, it can lead to assumptions, wrong conclusions, or mistakes.

In contrast, 'slower' decision-making takes more effort and concentration, but can avoid such problems or biases.

What do dealership staff need to do?

In a sales situation, we do not want to slow down any sale unnecessarily.

However, we also need to ensure our customers make careful and informed decisions about their purchases.

This means providing both the clearest information possible, and the time and space to make careful decisions.

But it also means understanding which parts of the decision-making process customers might need our help with.

The four parts of a decision

When purchasing a vehicle, customers will often make lots of decisions.

These can include 'big' decisions (like entering into credit agreements), and smaller ones (like fabric protection cover).

However, when making any decision customers must be able to do four things:

1. **Understand** the information we have given to them (about the vehicle, contract, or other issues).
2. **Recall** key information (about the vehicle, any contract arrangement, or their own personal information such as contact details, bank account numbers, or employment information).
3. **Evaluate** ('weigh-up') any options or choices they have been given.
4. **Communicate** any questions they have, and their final decision to go ahead with the purchase.

If a customer can do all of these things, they can make an ***informed decision***.

It is our job to make sure our customers always make informed decisions.

What's the problem?

Most customers will be able to make informed decisions without difficulty.

However, others – as we can see in BOX 1 – may encounter serious problems.

BOX 1



Decision-making: reality and scale

Customer decision-making difficulties can be caused by many factors, and affect many customers.

Case-study: showroom to no-show

Showroom

Mr Altman visited a dealership on a number of occasions, each time looking at one car with staff.

He appeared very undecided and repeatedly stepped out of the showroom as though to leave. However, each time he returned, and eventually he signed an order form and finance agreement for the car.

No show

Mr Altman was due to collect the car the following week, but did not turn up. Despite attempts, the dealership were unable to make any contact. They were poised to take court action.

Lender contact

While this was happening, Mr Altman rang the finance firm. He explained he had mental health problems, financial difficulties, and felt pressured into signing.

Lender involvement

The finance company visited the dealer and explained the situation. The dealer disputed this and said they would still proceed with court action.

However, after discussion, the dealer recognised this would cost a significant amount, so a decision was made to unwind the agreement.

Recognition

The dealership recognised staff needed training on the early signs that customers may be having potential difficulties with decision-making. They are now working to deliver this across their sales team.

Mental health conditions

Although rates vary across the four UK countries, mental health problems are common in the UK.

Research* conducted with over 3,000 customers with mental health problems about their most recent experience of applying for credit found that:

- one-in-four were unable to understand loan terms or conditions
- four-in-ten could not remember key information about the loan
- one-in-two could not weigh-up the advantages/disadvantages of the loan
- one-third felt unable to communicate their decision, or ask questions.

Clearly, not every person with a mental health problem will have such problems – but looking out for signs of decision-making difficulties will help those that do.

Language and literacy

In the UK, almost one million people cannot speak English 'well' or 'at all'. Language, literacy and numeracy can all affect decision-making.

Treatment/medication

The effects of medical treatment, or the side-effects of medication, can impair a customer's decision-making.

Dementia

In the UK, 1-in-11 people over 65 are living with dementia. Dementia is not a disease itself, but is the name given to the damage done to our brains by a range of diseases (including Alzheimers).

* This figure is partly based on 'Vulnerability: a guide for lending' (2017) published by the Personal Finance Research Centre, University of Bristol in partnership with the Finance & Leasing Association and The UK Cards Association. This publication includes research conducted in collaboration with the Money and Mental Health Policy Institute on the credit application experiences of customers with mental health problems.

Step 1: Identifying decision-making problems

Meet BRUCE

Imagine this: the next time you have contact with a customer, they are not alone: BRUCE has come with them.

BRUCE won't be taking a test drive.
BRUCE won't be inspecting the interior.
And BRUCE won't be having a coffee.

BRUCE will though be making all the decisions (big and small) about the purchase and contract.

What would you do in this situation - ignore BRUCE? Or more likely, look for any signs of difficulty BRUCE might be having with their decision-making?

What do we look for?

As you might have guessed, BRUCE is a way of reminding ourselves about the problems that customers can have with decision-making.

Developed for use during face-to-face contact with a customer, or over the phone, it reminds us to think about:

Behaviour and talk – we should look at the things a customer 'says' and 'does' to establish if there are difficulties with:

Remembering – is the customer exhibiting any problems with their memory or recall?

Understanding – does the customer grasp or understand the information given to them?

Communicating – can the customer share and communicate their thoughts, questions, decisions about what they want to do?

Evaluating – can the customer 'weigh-up' the different options open to them?

What happens if we don't look out for BRUCE?

Looking out for BRUCE with every customer is important. If we don't, we can:

A. Put customers at risk of harm

If we do not notice any problems with decision-making, these customers will be at greater risk of making a purchase:

- they do not understand
- they cannot repay
- that leads to a vehicle being returned or taken back
- that leads to later financial difficulty.

Remembering to 'look for BRUCE' with each customer can help avoid all of this – and the earlier we spot a potential decision-making problem, the better.

B. Fail to comply with expectations

If a credit arrangement is being set up to purchase the vehicle, and we fail to look for BRUCE we may not comply with the Financial Conduct Authority's regulatory expectations.

We may also run the risk of a case being brought against us under contract law, or a complaint being taken to the Financial Ombudsman Service.

These issues of law and compliance are considered at the end of this guide.

We've spotted a problem – now what?

So, you've used BRUCE with your customer, and you've noticed a potential problem. But now what?

The next step is to provide support to the customer to overcome this problem.

FIGURE 1

Using BRUCE to identify problems



Behaviour

Do not wait for a customer to tell you about a decision-making problem. They may be embarrassed. They may worry that you will decline any application for finance. They may be unaware they have a problem. We therefore look for clues in a customer's behaviour and speech.



Remembering

A customer needs to be able to remember information to make a decision. Look out for when the customer:

- is unable to recall information
 - is unclear about what is being discussed with them
 - gives conflicting answers to questions
 - asks the same questions repeatedly
 - is unaware of their own financial situation
 - easily loses the thread of the conversation
-



Understanding

If a customer cannot understand the information they are given, they are not in a position to make a decision.

Look out for when the customer **doesn't**:

- understand what they are applying for
 - understand aspects of the purchase (e.g. repayment terms)
 - provide answers to relevant questions
-



Communication

Customers must be able to communicate their decisions in a way that is understandable. Look out for customers who **cannot**:

- tell you basic personal information
 - express their decision or choices
 - directly answer your questions (or do not do this)
-



Evaluation

Customers will have a number of choices to evaluate or 'weigh-up'.

For example, they might be given a lower monthly repayment figure over a longer period, or a higher repayment over a shorter period.

And they have the 'big decision' of whether to purchase the vehicle too. Look out for customers who are struggling to do this.

If a customer doesn't understand the options on offer, or just cannot reach a decision, they may have an issue with evaluation.

Step 2: supporting customers with problems

Providing support means thinking about the problems a customer is having with decision-making, and taking action that helps the customer to make their own decisions. We can also use BRUCE to provide such support to our customers.

Behaviour

B of BRUCE: Behaviour

We can start by thinking about our own behaviour.

- Knowing your products, arrangements, and offers is key. If you really understand these, it will make your explanations much clearer. Take pride in turning something complex into something simple.
 - Using simple language, avoiding jargon, and not rushing is vital. When explaining a product, break it into chunks (e.g. talk about repayments, check customer understanding, and then move to the next feature).
 - Never make decisions for a customer – it is their decision, not ours.
-

Remembering

R of BRUCE: Remembering

We then think about how to overcome any problems with memory by:

- Repeating key information, or simplifying information for customers.
 - Offering alternative ways of giving information (e.g. a written summary or rephrasing of what has been said, or the available options).
 - Asking whether someone the customer knows could help them.
 - Asking the customer what else could be done to help them.
-

Understanding

U of BRUCE: Understanding

Understanding is key – we can provide support to customers by:

- Asking them to summarise what they've been told (to establish what they might not have understood).
 - Repeating information to customers in different ways.
 - Summarising and simplifying information where possible (but retaining any regulatory or legal detail that is required).
-

Communication

C of BRUCE: Communication

In addition to the above, we can think about:

- Offering the involvement of a third party to assist.
 - Allowing more time for the customer to communicate with us.
-

Evaluation

E of BRUCE: Evaluation (weighing-up)

In addition to the suggestions above, we can also think about:

- Discussing each option individually.
 - Taking the customer through a series of logical steps to aid their thought process.
-

Talking to customers

Sometimes you will not be sure what support a customer needs.

Or you simply might not be sure if the customer really does need any support.

In these situations, talking with the customer will help your understanding.

The questions opposite provide *examples* – however, you will find your own way of asking in time.

When should I ask these questions?

Before a formal discussion begins, you should check at the outset whether a customer has any support needs.

During the discussion, you can then periodically ‘check-in’ to ensure that the customer is following the conversation in terms of Remembering, Understanding, Communication, and Evaluation.

Finally, when the conversation **draws to a close**, you might want to check if there are any areas that need clarifying or repeating. You may also want to record the customer’s preferred channel of communication for further contact.

How do I start such a conversation?

Staff often worry about raising an issue about decision-making with customers, as they fear causing offence.

However, customers will not mind being asked about the presence of any support needs, or checks being made to ensure they have followed the discussion.

The key is to make discussions about support and access part of everyday business – if this is being raised with every customer, then customers will not feel singled out or targeted.

What can we ask?

Essentials

“We always ask all our customers whether they have any access, support or communication needs – is there anything we can do for you in this respect?”

Remembering

“I’m aware we’re covering a fair bit of information here – I’ll always keep stopping to summarise, but what else can I do to help you remember?”

Understanding

“This next part of the arrangement is key – so I’ll give you an example of how it works in practice, and then most of our customers like to ask a couple of questions to understand it. Is that OK?”

Communication

“Do you have any needs related to communication or language? If so, we’ll always do our best to meet these.”

Evaluation

“This is important – so would you allow me to just re-explain each of the choices or options you have here? This will help you with your decision.”

Step 3: following the golden principles

Using BRUCE: golden principles

In using BRUCE, there are four 'golden principles' you need to bear in mind.

1. Always presume that every customer has the ability to make a decision, but always look for signs of a problem.

Taking this step means we give every customer 'a clean slate' – we presume they can make a decision, but we still keep a look-out for difficulties.

This stops us wrongly assuming that some customers (such as disabled people) can't make their own decisions.

Where signs of difficulty do exist, we always find out more about these by asking the customer. This allows us to help the customer overcome these problems, and make their own decision.

Critically, we **never** make a decision for a customer – this is theirs alone to make.

2. Reasonable support is always given.

This means you are **not** expected to provide the customer with never-ending support, or have to meet unrealistic or unreasonable requests for adjustments.

It also means that if you think a customer is experiencing serious problems with decision-making, then it is acceptable to **pause** or **stop** the vehicle purchase.

You can then involve a manager in the discussion. They will help you decide if support can be provided, or whether another option is needed (such as third-parties or external agencies).

3. Customers are allowed to make unwise decisions.

If a customer makes a decision you consider unwise or poorly thought out, but no indicators exist of a problem (remembering, understanding, communication or evaluation), **then this is the customer's decision.**

This may be frustrating but our role is not to make decisions for the customer, but instead to support their decision-making.

4. We may have only one chance to help a customer – so we need to take this.

If you see a customer is having difficulties with decision-making, you need to act.

You may be the first person to spot this – and if you do not take action, then you cannot assume that others will.

If you do not act, the customer could then go on to make a purchase:

- they do not understand
- they cannot repay
- that leads to a vehicle being returned or taken back
- that leads to later financial difficulty.

Taking action is not only about helping the customer at that point in time.

It is also about recording any relevant information (with the customer's consent) that needs to be shared with colleagues or the finance company.

Recording information

Supporting a customer to overcome a decision-making problem is key – but so too can be recording information about this in your customer account notes.

This will usually be when the customer has an ongoing support need – most often this is where a customer requires similar support the next time contact is made.

An example of this would be where a customer has a medical condition which can make it difficult for them to make sense of the sentences they hear or read.

This requires us to know this in our future contact, and to use a slower pace of conversation, to give the time and space the customer needs to make sense of this.

When recording information about a customer's situation and support needs, the simplest option is to explain how the information will be used, and to ask for their explicit consent to record this.

Sharing information

You will encounter situations where it could be helpful for any finance provider of a vehicle purchase to know about:

- a customer's support needs (so we can meet them in the future as well)
- serious concerns that you have about the customer's ability to make a decision about entering into a lending agreement.

Where a customer has support needs (but is able to make a decision to enter into a lending agreement), explain to the customer the benefits of sharing this information with the lender. Make it clear this will not affect any decision on finance.

If concerns exist about a customer's ability to make decisions regarding the finance agreement (despite support efforts), you should inform the lender. This doesn't mean the customer will be declined as the lender may make their own assessment.

Worth remembering:

Before the vehicle finance has been agreed, customers may worry about disclosing or discussing any problems they are having. They may be concerned that this could lead to them being declined credit/the vehicle. Therefore explain you are there to help the customer overcome any difficulties with decision-making they are having, and to provide the support they need.

After the vehicle finance has been agreed, customers may feel more comfortable with disclosure and discussion. This can be a good time to re-ask if the customer has any support needs that haven't been touched on already (explaining that this will help the lender provide support in the future).

Last word: law and regulation

Language

When decision-making problems are discussed, different words are often used (which can be confusing).

These include ‘mental capacity’ or ‘mental capacity limitations’.

Or sometimes ‘cognitive difficulty’ or ‘learning disability’ may be used.

However, the key thing to remember is that we need to focus on the problems that customers are having with decision-making, and help them overcome these.

Medical context

Medically, a person lacks mental capacity if they are unable to make a decision for themselves “*because of an impairment of, or a disturbance in the functioning of, the mind or brain*”.

This may sound a little medical – but don’t worry, you are not expected to abandon your dealership to become a doctor.

Instead, you just need to remember that some customers will have problems due to an underlying health condition (mental or physical), a disability, an injury, or even the (usually temporary) side-effects of the treatment or medication they are receiving.

Meanwhile others will have problems due to non-medical reasons (such as language or literacy issues).

Consequently, remember that it is never your job to guess or diagnose what is ‘wrong’ with the customer.

Instead encouraging customers to explain their difficulties (and the reasons for these) can help provide much better support.

Regulation

The Financial Conduct Authority’s Vulnerability Guidance (FG21/1) and Consumer Duty (FG22/5) require regulated firms to treat vulnerable customers (including those with mental capacity limitations) with higher levels of care and sensitivity.

Legal context

There is at least one common law test to establish capacity to contract.

In England and Wales, common law states that where a party to a contract lacks capacity to enter into such a contract, the contract may be voidable if it can be shown that the creditor knew, or should reasonably have known, that the borrower lacked the capacity to enter into the contract at the time that they did so.

Meanwhile, in Scotland, if on the balance of probabilities it can be shown that the borrower lacked the capacity to contract, then the effect is that the contract is void.

Useful things to read

Again, you will be relieved to hear that this briefing – and the BRUCE tool - has been designed to be practically effective, and regulatory and legally compliant.

In short, if you use BRUCE and follow the ‘golden principles’ in this guide, you will know the right thing to do practically.

However, if you want to know more about decision-making and vulnerability, the resources opposite may be of use.

Useful resources

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Money Advice Trust Vulnerability Hub

www.moneyadvicetrust.org/vulnerability

Financial Conduct Authority (2022).
FG22/5 Final non-Handbook Guidance
for firms on the Consumer Duty.

www.fca.org.uk/firms/consumer-duty

Financial Conduct Authority (2021).
FG21/1 Guidance for firms on the fair
treatment of vulnerable customers.

www.fca.org.uk/publications/finalised-guidance/guidance-firms-fair-treatment-vulnerable-customers

Ben - charity supporting the wellbeing
of motor industry staff

www.ben.org.uk/

Lending and vulnerability guide*

<https://bit.ly/2ryovpU>

* Personal Finance Research Centre, University of
Bristol in partnership with the Finance & Leasing
Association and The UK Cards Association.



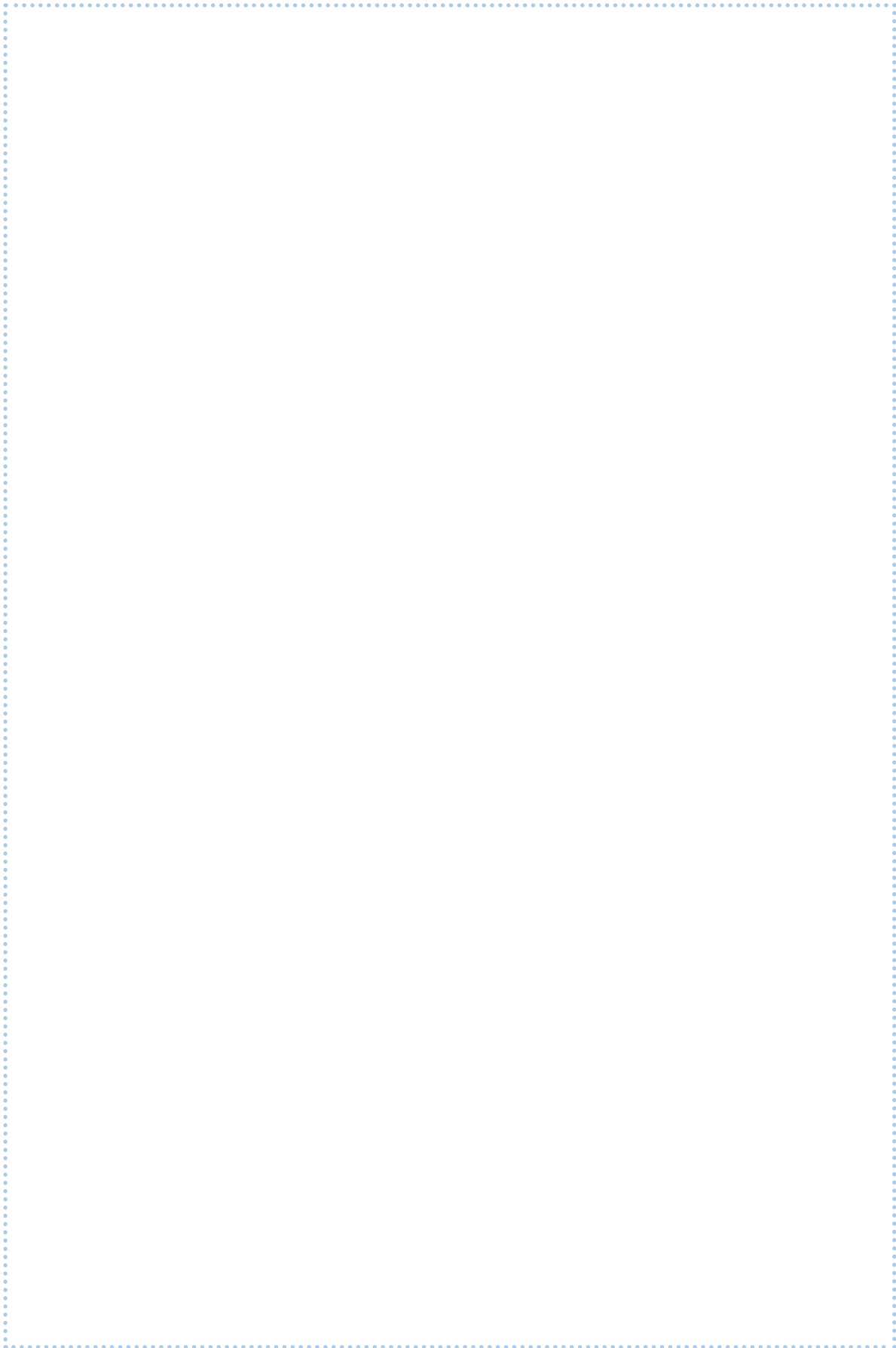
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Notes





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