Fairness, vulnerability and fintechs

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Regulators have focused intensely on 'fairness' following the numerous scandals involving overcharging, underservicing and poor customer outcomes that were laid bare in the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission). For fintechs, this means making sure fairness is embedded at every customer touchpoint.

This is no simple task as fairness is contextual and needs to address any customer vulnerabilities. In the midst of the coronavirus (COVID-19) global pandemic, identifying and responding to vulnerable customers fairly is more important than ever.

What is fairness?

What is fair is not universal—it depends on the context, products or services and the consumer's circumstances.

When it comes to fairness, fintechs fare better than most. Why? Because they want to challenge the status quo, address a consumer gap or need and foster deeper customer trust.

Some fintechs are using features like greater transparency, improved comparability, better rates, lower fees, increased personalisation and greater customer control. These features help create fairer products and services, but alone will not ensure consumer fairness. Why? Because fairness needs to be embedded in all touchpoints of the customer journey. This is no small feat.

Catering to vulnerable consumers is a good place to start

A good litmus test for fairness is how you cater to your most vulnerable consumers. Vulnerability is the next frontier in the consumer space, but it is yet to be defined by regulators in Australia.

Who is a vulnerable customer?

In the UK, the Financial Conduct Authority (FCA) defines a vulnerable customer as "someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care".

This is a broad definition and does not differentiate between potential versus actual vulnerability and permanent versus transient vulnerability. In our view, this is because the FCA wants vulnerable characteristics to be considered at all stages of adviser-customer interaction.