



Treasury Select Committee Consumers' access to Financial Services

Response from AXA UK

AXA UK

1. AXA UK (AXA) is part of the AXA Group, a worldwide leader in financial services. AXA Group operates in 62 countries with over 160,000 employees and 105 million customers. AXA has around 11 million customers in the UK and operates through specific operating companies – AXA Insurance and AXA PPP healthcare.

Executive summary

2. AXA believes in putting our customers at the centre of what we do, especially vulnerable customers. We have put in place training schemes for all staff and mandatory bespoke schemes for key customer facing units, such as Claims. In addition to this we strive to create an employee culture of understanding for many aspects of vulnerability – such as mental health – to benefit both our employees in their personal lives and also increase their understanding when working with vulnerable customers.
3. We find the Financial Conduct Authority's (FCA) current definition of a Vulnerable Customer beneficial as it allows flexibility depending on the circumstances. This is crucial due to the intangible nature of vulnerability and the need to assess on a case by case basis. We are supportive of the amount of work the FCA is undertaking to protect customers, especially vulnerable customers.
4. We are cautious that a 'duty of care' for financial services providers would mean customers would incur costs by using the court system, as opposed to the current procedure of complaint through the Financial Ombudsman Service (FOS) which has no costs for the customer.

How should financial service providers define 'vulnerability'?

Examine how financial services firms define 'vulnerability' and assess how practical the Financial Conduct Authority's definition of vulnerability is.

5. In February 2015 the FCA published its Occasional Paper No 8, which set out its definition of a Vulnerable Customer. The FCA carefully considered a number of options for the definition and continued to use this definition from three years before "*A vulnerable consumer is someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care*".



6. For General Insurance (GI) firms the current definition of customer vulnerability allows flexibility and for us to be customer centric. In our claims and call centres it allows flexibility of approach and avoids unnecessary decision trees and complicated processes. It avoids the process getting in the way of the customer, allowing the member of staff to have an open and frank conversation and for 'reasonable adjustments' to be made for the customer, providing a customer centric offering.
7. Due to the intangible nature of vulnerability, and the FCA's definition reflecting this rather than being prescriptive with set characteristics which constitute a vulnerable customer, we are considering how we price vulnerability and we would welcome further guidance from the regulator on this issue.
8. Our teams who provide cover in relation to health (AXA PPP and our Travel team) have a different relationship with their customers because for the customer to make a claim their health must be openly discussed. This means that the use of a process for an identified area of vulnerability can be implemented because it is easier to identify, recognise and be acted upon, therefore a more granular description may work to their advantage.
9. The FCA found that when they undertook their financial lives survey, that it was not simply a case of categorising a customer as vulnerable due to one incident or factor e.g. the customer has cancer or the customer has suffered a bereavement. Increasingly the FCA found customers experienced a number of events at the same time which led customers to be more vulnerable and what had looked like a simple concept had unintentionally become more complicated. This supports our view that vulnerability is intangible and why we assess on a case by case basis.
10. The current definition allows flexibility for firms to consider every customer and their circumstances within reason, to adjust as it finds appropriate. This doesn't just occur at the point of sale for AXA, we continue to take account of people's vulnerabilities throughout the customer lifecycle. For example, if a customer has told us they have anxiety when purchasing travel cover, whilst this might not be relevant at the point of sale to provide a product, we will note their anxiety and ensure we act appropriately if they were to make a claim whilst abroad.
11. We support the current definition and would note that refinement of the definition could add increasing cost to firms and could result in firms withdrawing from the market.

Evaluate the training and practices in place at financial services firms in relation to vulnerable consumers.

12. We welcome the flexibility provided by the FCA to design our own training in relation to vulnerable customers. At AXA we have developed online vulnerable customer training for all our staff, which has materials from the Alzheimer's Society 'Dementia Friends' initiative and access to the Office of Public Guardian Training material. We also have mandatory bespoke in-house



training for key customer facing business units, such as claims, using real customer calls to provide examples to our staff of potential vulnerabilities.

13. In addition to this training, there is also a heightened culture of awareness of vulnerabilities at AXA and this broader understanding helps all our staff to help our vulnerable customers. Examples of this include training with national disability charity Scope or our Mental Health First Aiders scheme, which means we have trained staff members who are available to talk to colleagues about their mental health and provide assistance.
14. Generic training such as that offered by the Alzheimer's Society and the Office of the Public Guardian (Power of Attorney) are relevant across a broad spectrum of financial services firms and more of this would be welcome as it would ensure consistency across the financial services sector.

Consider the merits of having a 'duty of care' for financial services providers and examine whether this would increase protection for vulnerable customers.

15. We do not believe that there is a further requirement for a new duty of care. The FCA has clearly set out in its [discussion paper](#) their current regulatory and legal framework and how this helps to provide consumers with good outcomes.
16. We note that the stakeholders consulted believe that this new 'duty of care' will provide consumers with an additional mechanism for redress. However, this mechanism will be using the courts so will add additional costs to consumer if they take this route or play into the hands of claims management companies.
17. The FOS and firms have been encouraging consumers to use the FOS to consider complaints which they do not believe have been adequately addressed by the firm. This is a no cost option to the consumers. The use of the courts could involve protracted legal costs, increased redress payments which will ultimately be passed onto consumers though an increase in insurance premium. This will therefore not benefit the consumer which this new duty of care is intended to address.



Are certain groups of consumers excluded from obtaining a basic level of service from financial services providers?

Examine how providers ensure that their marketing, communications and support services are accessible to vulnerable consumers, including consumers who have low literacy levels.

18. Firms are required to ensure that they adhere to the FCA rule and principal that documentation is 'clear, fair and not misleading'.
19. A contract of insurance is a legal document. The principal of offer and acceptance is based upon the willingness of a firm to accept the risk that the customer presents. Firms have not been required to test a customers' literacy before offering a contract, in so doing this could have unintended market consequences where the most vulnerable are not offered a contract because they are unable to pass a literacy or numeracy test.
20. Documentation must set out the provisions which are there to protect both the customer making a claim and those customers in the pool who have not claimed. Firms must make sure that they set out the action they will take in the event that a claim is not legitimate.
21. We have amended our home and motor policies significantly to ensure they are as easy to understand as possible for a legal contract. We have worked with Fairer Finance to help lower the reading age required for these documents, adding icons to help explain and guide customers and we have significantly shortened our documents in some cases by approximately two thirds. That said we are limited, as due to the nature of the contract and the legal terms required it will not always be possible to write in a way that someone with the average reading age of 11 will comprehend it fully.

Evaluate the systems and controls in place for Power of Attorney at financial services providers.

22. AXA uses the Office of the Public Guardian Training (England and Scotland) to ensure consistency of use for Power of Attorney.

Examine how financial services providers comply with equality legislation and the mechanisms for enforcement.

23. AXA complies with Equality Legislation and the European Court of Justice ruling around gender bias when pricing contracts of insurance. The Equality Act 2010 protects individuals from unfair treatment and promotes a fair and more equal society. The ECJ ruling came into effect on 21 December 2012 and this prevents firms from using gender to determine price.



Do vulnerable consumers pay more for financial services products?

Examine the effectiveness of procedures deployed by financial services providers to ensure that customers properly understand the products that they are purchasing, including those who have low literacy levels.

24. This is currently being reviewed by the FCA through a Dear CEO letter, a Thematic Review – Pricing Practices in the retail general insurance sector: Household insurance (TR18/4), Fair pricing in Financial Services Discussion Paper DP18/9 and the General Terms of reference Market Study MS18/11.

Examine whether vulnerable consumers pay prohibitively more for certain financial services products, including travel and home insurance.

25. This is currently being reviewed by the FCA through a Dear CEO letter, a Thematic Review – Pricing Practices in the retail general insurance sector: Household insurance (TR18/4), Fair pricing in Financial Services Discussion Paper DP18/9 and the General Terms of reference Market Study MS18/11. The FCA is also looking into this issue in the context of travel insurance with their Call for Input on Access to Insurance.

Evaluate how regulators assess whether financial services providers are providing products to consumers at a fair price.

26. This is currently being reviewed by the FCA through a Dear CEO letter, a Thematic Review – Pricing Practices in the retail general insurance sector: Household insurance (TR18/4), Fair pricing in Financial Services Discussion Paper DP18/9 and the General Terms of reference Market Study MS18/11.

If you have any questions regarding this submission, please contact AXA UK's Senior Public Affairs Executive, Sophie Bonnel, on Sophie.bonnel@axa-uk.co.uk or 07815 708247.