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Banks accused of failing millions of vulnerable customers


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Banks are failing to identify and intervene when their customers begin suffering from conditions that affect decision-making such as dementia, a report by the Fairbanking Foundation has found.

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The report covered six major banks - Barclays, Clydesdale, M&S, Lloyds, RBS and Santander - covering 75 per cent of the market.

Calling the banks' approach to millions of vulnerable customers a "major failing", the foundation urged the banking sector to overhaul its processes to protect these

customers.

In particular, the report called on banks to improve protections to ensure vulnerable customers were not victims of scams and fraud.

Antony Elliott, chief executive of the Fairbanking Foundation, said the National Audit Office put the number of people in the UK living with a limiting physical or mental disability at 11 million.

"We know that 800,000 people in the UK suffer from various degrees of dementia, 1.5 million people are known to have a learning disability and around 1.4 million people are on the register of the Office of The Public Guardian for a 'lasting power of attorney' in property and finance," he said.

"The numbers are just a few examples that illustrate that this is not a small issue that can just be swept under the carpet. Millions could potentially be affected."

The report found banks were not recognising the need for additional support for these vulnerable customers early enough, and nor were they dealing with dependency arrangements in a "coherent way".

The foundation stated that these shortcomings meant banks were "underserving" people living with conditions affecting their decision-making, such as dementia or learning disabilities, as well those living with long-term physical health problems that can lead to financial difficulty and debt, such as cancer.

"Fairbanking does not observe much sign of emerging good practice, or understanding of the extra importance of grappling with fraud on these customers," the foundation stated.

Caroline Abrahams, charity director at Age UK, welcomed the report, saying it identified "a number of issues of concern to older people".

"There is a need for an improved system of third party authorisation that is both administratively efficient and alert to the possibility of financial abuse.

"In the area of scams, banks need to do more to intercept scams in real time and to prevent customers losing money, especially in light of the fact that scammers use the services of the banking system (bank accounts and faster payments) to complete their thefts from unsuspecting victims," she said.

Darren Cooke, a chartered financial planner at Red Circle Financial Planning, said that the rise of online banking, alongside an ageing population, exacerbated the problem.

"It is a problem, and it will increasingly become a problem as more banking is automated. If you're not meeting face-to-face with a customer, how do you know that person has capacity issues?" he said.

He added that this was an issue for all financial services, including robo-advice platforms.

He said a potential solution was to introduced online mental capacity tests.

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