

Insights Series 1: Coronavirus; working through it

On the basis of Kurt Vonnegut's summation that history is merely a list of surprises, the COVID-19 epidemic is already destined for the history books. The surprises arising as a result of it are myriad, from the Government announcing the payment of private sector wages, to pubs and restaurants being closed, or the suspension of the Olympic games in Tokyo. It is rare to be in a truly global crisis, with our sense of interconnectedness heightened. But that is what is happening, with families, businesses and economies rocked from London to Seoul.

For the UK, this is clearly a time of great pressure and challenge on the NHS and all health and social care staff. But beyond the medical emergency there is the financial impact, with registered firms stretched as never before. Operational challenges and staff shortages will have to be balanced with increased customer demand. Business as usual operations will need to continue, whilst also adapting to new challenges posed by the virus.

At the LSB, we understand the stresses this will cause our registered firms. It is with this in mind that we are beginning a three-part series focusing on authorised push payment scams, vulnerability, and SME financial difficulty, looking at each through the perspective of the impact from COVID-19.

Each fortnight, we will publish a thought piece looking in detail at each area. This will address risks and areas for consideration that we see as important when dealing with coronavirus. Examples of these topics and the questions we will explore are below.

Authorised push payment scams

- What can firms do if the number of scams increase whilst investigator staff numbers diminish through illness?
- Will firms' ability to prevent scams, for example, by using the branch network to support and educate customers, be impacted due to reduced opening hours or staff shortages?
- The rules to stay at home and socially isolate will likely lead to an increase in online transactions, both in relation to banking and everyday payments, as customers cannot go to their local branch. A new cohort of customers interacting online poses an opportunity for scammers. Can the risk of this be reduced and what should firms consider when assessing such claims under the CRM Code?
- Social isolation may increase the risk of customers being scammed as they will not have their regular network of friends and family at close hand to advise them on potential risks and crimes. Can steps be taken to mitigate this risk?
- Criminals take advantage of times of uncertainty to increase their illegal activities. There have already been reports of scams directly relating to coronavirus, for example, with text messages sent to customers referencing an NHS rebate being provided due to COVID-19. How

can banks stay live to what is happening in relation to scams and then educate their customers and staff on emerging scam types?

Vulnerable customers

- Coronavirus has a disproportionate impact on the elderly and vulnerable, specifically those with pre-existing medical conditions. The Government's guidance for those groups is to self-isolate for 12 weeks and follow social distancing measures in order to reduce the risk to them. This has a direct impact on the quality of life for those groups. What can registered firms do to identify and assist potentially vulnerable customers during this crisis, and should the approach be different to that taken during business as usual operations?
- The Government does not have a list of vulnerable people across the country, nor can it easily identify them. Registered firms are therefore in a unique position to assist with signposting to support related to COVID-19, for example, the Government's support for those they deem to be extremely vulnerable. Should firms update their processes or documentation to reference this support and how can this be done?
- Are firms set up to deal with a potential increase in bereaved customers whilst also dealing with the possibility of a reduced operational capacity? Should firms be looking at increasing the number of skilled staff it has to assist with vulnerable and bereaved customers, to act as support should core staff numbers be reduced?
- Bookmaker stores have been ordered to close. Will this lead to firms seeing an increase in online gambling transactions, including more interactions from problem gamblers? How can firms monitor this and best assist those customers?

SME financial difficulty

- The closure of all non-essential businesses including shops, restaurants and entertainment venues has had an immediate and extreme impact on SMEs. Many SMEs will now be in financial difficulty. How are firms dealing with the increased need for engagement with their customers as a result of coronavirus and what is the best way to assess who needs the most urgent assistance?
- Government intervention in the market, for example, with the introduction of the Coronavirus Business Interruption Loan Scheme, means there are more options available for firms when dealing with their customers. However, these products need to be analysed and understood before being offered to customers. How can firms balance the need to be fast moving whilst mitigating the risk of offering unsuitable products or poorly communicating the details to SME customers.
- Many SME customers will have relationship managers who know the business and are there to identify and assist those in financial difficulty. How does a relationship management model work within a policy of social distancing or if there is a large increase in the number of RMs off sick at any one time?
- The great increase in customers in arrears or pre-arrears will mean a significant increase in demand for firms' Credit teams. How will this demand be managed and is there a need to

upskill other staff to assist? If so, how can this be achieved given the specialist nature of the Credit role and the need for experience to best assess a business's financial situation?

- There is likely going to be a higher demand for turnaround experts as SME customers need outside assistance to work their businesses back into profitability. However, turnaround professionals can only work with businesses that have money coming in and where there is a realistic chance of success. How will firms decide which SME customers would be best suited for turnaround expertise or other third-party referrals?

The purpose of these upcoming papers is to add insight and value for registered firms in relation to the ongoing events of coronavirus. All papers will be published through the registered firm side of the LSB website.

If there are specific areas that you would like to be addressed, or if you have questions or requests about how the LSB can assist at this time, do let us know. By working with you and all our registered firms, we want to ensure that customers continue to receive fair outcomes during a crisis that is putting pressure on services across the country.

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