

NALA's response to discussion paper on digitalisation of financial services

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NALA

National Adult Literacy Agency
Áisíneacht Náisiúnta Litearthachta do Aosaigh

About this response

In the digital age, NALA – the National Adult Literacy Agency – renews its call for clear communication. From the Bank’s perspective newer, faster technology leads to faster sales for financial service providers. From the consumer’s perspective, the digital age can help or hinder with faster decision-making much of it with long-term consequences.

There is a greater need for clear communications between people selling financial services and those who receive them. These communications need to be:

- as clear as is possible, given the complexity of the subject;
- designed so that the reader can access its meaning with the minimum of difficulty; and
- provided with safeguards for those who may not have understood the implications of their decision.

This means that, while we are concerned as individuals and citizens with all of the issues raised in the discussion document, we believe it is appropriate for us to focus on these three core objectives as they relate to financial services.

We appreciate that the format for the consultation document asks respondents to submit their views and proposals to consecutive questions and to give examples with each answer. However, given that our focus is narrower than that of most respondents, we have not answered each question. Instead, we have provided responses to what we think are the most relevant questions.

Our response to most relevant questions

What follows is a response to most of the questions as they relate to our areas of concern.

Question 1: Are there evidences or examples of other relevant types of innovation in retail financial services, which are not already covered in this Discussion Paper?

Considering the Irish market, what innovations are more likely than others to develop and / or have the greatest impact on consumers. Please provide reasons for your answer.

We are not aware of evidences or examples of innovation in retail financial services others than those you list. However, innovations such as moving banking and financial business onto mobile phones and smart phones are significant for consumers particularly those with literacy, numeracy and technology challenges (1 in 6, 1 in 4 and 2 in 5 adults in this country).

MABS reports a rise in the number of people who admit that they find it almost impossible to read detailed terms and conditions on small screens. We think it is positive that the Bank is doing behavioural studies (example: PriceLab) to help, but what else does the Central Bank intend to do to make sure that major financial decisions cannot be made through technology that is known to foster irresponsible behaviour? The current code does not suffice.

Customers need terms and conditions relayed to them, as a minimum, in an easily readable format. If this cannot be done on a small screen, then the regulations **need to make sure that no financial deal is binding until the terms and conditions have been delivered in such a format that works for the consumer and this format must be user tested.**

Customers should not be bound to decisions made when they cannot easily read the implications of a financial commitment.

Format required

Terms and conditions should be delivered to customers in a clear sans serif face, using a minimum of 12p type size. To be readable, the line spacing of the type should be set to a minimum of 1.5.

We realise that this requirement for clear readability would put an onus on the provider of the service to make sure that the customer is viewing the terms and conditions on a full screen (desktop or laptop) or else has a hard copy delivered to them. We believe that customers cannot be said to have made **an informed and rational decision** unless this is done.

We urge this course of action in the full knowledge that it will place additional, but necessary, regulatory duties on the Central Bank. This will involve many considerations including user testing.

Complex information can be written in plain English and used on different platforms.

Incentivise by tagging as written in plain English

Actually writing 'Disclosures – written and presented in plain English' for your convenience on the start screen or on videos of same is worth testing to see if this 'plain English' label engages readers more than text without such a label. The text and design of the disclosure in plain English must be discernibly different from a disclosure form not described in these terms. It is worth tracking the impact. If, for example, disclosure information and other financial information was approved by NALA using our Plain English Mark or if the disclosure was said to have been tested and approved by x members of the public, this may also help entice people to take the time to read the information presented or at least scan its main points.

Online test of comprehension

But not of the user... this would take careful planning but could feature a similar profile of the person reading the information making choice A and or choice B and seeing which options work better for them...

Finally, we commend the Bank on its commitment to consumer testing and we say more of this! We know that it helps to avoid 'Unfair, Deceptive or Abusive Acts of Practice (UDAAP)' in financial services and that it can help improve understanding.

Example:

Recent testing of regular paper-based disclosures written using plain English writing and design guidelines in the US shows that:

- Consumer ability to make an informed choice on a loan product rose 24%
- Consumer comprehension with the proposed disclosures rose 15%
- Consumer comparison between the initial to close disclosures rose 14%

The researcher, Susan Kleimann, holds that an initial step to improving disclosures [and presumably other text like terms and conditions] is to simplify the language, but you also need to consider:

- ‘the visuals and how they link with the words to achieve the right balance;
- the structure of the document [text] must orient consumers to the whole and parts of the document (as readers don’t read sequentially);
- design used so that it enhances navigation.’

(The above seems to tally with the Bank’s view as expressed on on page 43 of the discussion paper and NALA agrees.)

Questions 3, 4, and 5

Potential Risks and Benefits

Q3 Please outline any other potential benefits or risks for consumers that have not been captured in this section?

Q4 Considering the Irish market, what benefits and risks do you think are most likely to materialise and/or have the greatest impact on consumers? Please provide reasons for your answer.

Lack of awareness

A risk that is worth focusing on is the lack of new initiatives or even of the Code itself. Even recent initiatives such as the Central Bank’s new Credit Register I expect is low, but do we know? From our research and anecdotally, many of our customers do not know about the Code itself.

Spot checks to see if information was read and or understood

The onus is on the recipient of information to read emails about new initiatives such as the Register. What does the bank or others do to check done to see, for example, how many people opened this mail, read and or called in with further questions? The information is very clear about the Register, but I doubt there is general public awareness of this development among relevant customers.

Regional differences

We delivered mobile phone training in Dublin and in a more rural location. We delivered this a while ago but still we found a very significant difference between the level of knowledge about mobile phones (and social media) depending on location. Those in urban areas were better using mobile phones.

External research we commissioned in 2010 also showed regional differences in the level of understanding of specialist terms some of which were financial. Again, we think any regional differences in using digital technology to learn, buy or even consider financial products should be considered by firms providing digital products or information about products using mainly digital means.

Model good practice

The Central Bank has made considerable strides in-house on this issue over recent years and a sincere effort has been made by some Bank staff. That said, the Bank itself must continue to model good communication. It is great to see embedded videos in the paper and so on, but take a look at the third paragraph on page 38-39 of the consultation document. This one paragraph is more than 400 words long and makes **very** difficult reading even for the financially and economically literate. This problem is shared by other central banks (see par 11 of <https://www.theguardian.com/business/2017/oct/25/central-banks-need-to-be-more-media-savvy>).

A real commitment to clarity in how important information is presented cannot be piecemeal. The Bank needs to put clear communication at the heart of its code. Digital must not become unreadable – or even less readable. Only when this dictum is followed and enforced can the consumer's decision-making truly be said to be at the heart of the Bank's concern for financial services customers.

Questions 6 and 7:

Q6 With reference to the potential risks and benefits for consumers in the area of **access**, do you consider consumers to be adequately protected in a more digitally-enabled financial services environment? Where possible, please provide examples and/or evidence to support your answer.

Q7 How could the consumer protections in the Code relating to **access** be enhanced? Please outline the reasons for your proposed enhancements.

We believe that the Central Bank needs to abide by the statement in its executive summary, when it says that considering changes to its code on digitisation:

“... means looking at the relationship through the lens of the consumer, not purely from the firms’ perspective, and ensuring that the right outcomes are achieved for consumers regardless of the method through which they undertake their financial affairs.”

That would mean taking note of a few important facts. In Ireland, according to the most up-to-date statistics¹:

- One in six adults at Level 1 in literacy (18%: 521,550).
- 30% of population has Junior Cert or less (Level 2).
- 10% have no formal qualification.
- One in four adults at Level 1 in numeracy (25%: 754,000).
- Two in five adults at Level 1 in technology (42%: 1,283,467).

(Level 3 skills are the desirable minimum.)

The existing (2012) Central Bank code lists 13 requirements which financial organisations need to apply when providing information. Not one of these specifies that the greatest possible clarity of language is essential.

In a country with the literacy levels cited above, this is a serious omission.

The discussion document observes that faster decision-making can have serious implications for people who do not fully understand the implications of their decision.

Without levels of clarity for fully reasoned decision-making, the Bank should require sellers to use the kind of ‘**limiting technology**’ described to by Aisling McElroy of the Bank’s Consumer Protection Division during our stakeholder discussion on 19 September. This technology is already used in the UK. It uses smart digital technology to alert staff whenever callers do not appear to fully understand the details of a financial transaction.

For the Bank to achieve its inclusive vision, it needs a clearer commitment to requiring that information about financial transactions be:

¹ Central Statistics Office and OECD 2016

- **written in plain English**, whether they are in digital or other formats. That commitment, to be effective, must be accompanied by an unambiguous regulatory framework; and
- **user tested.**

The Central Bank plays an important role in helping to protect the interests of all of us who use financial services. The Bank creates a regulatory framework that seeks to mitigate current and emerging risks and challenges to consumer protection (p28). To do this, it must make sure that the offers, dangers, benefits and long-term effects of digitisation are communicated in clear language.

In summary, NALA urges that the Central Bank:

- requires the terms and conditions of financial products be written in plain English;
- requires the terms and conditions to be user-tested;
- requires that they be delivered in a readable format – namely a clear sans face in, at the very least, 12point type on a minimum 1.5 line spacing;
- specifies that no digital financial product can be said to be legally sold until it has been presented to the customer in such a readable format;
- requires sellers of financial services to install the kind of recognition software (see above) which is capable of alerting the sellers of financial services when potential customers appear to have difficulty understanding or reading terms and conditions or even the implications of a financial arrangement;
- use videos of financial products with closed captions which would allow consumers to replay videos to gain a greater understanding of products and services;
- applies with greater rigour its laudable but still partial commitment to clear communication in plain English.

Q8. With reference to the potential risks and benefits for consumers in the area of **provision of information**, do you consider consumers to be adequately protected in a more digitally-enabled financial services

environment? Where possible, please provide examples and/or evidence to support your answer.

This is hard to say. As the CSO's statistics show, many of us are not tech-savvy (40% of adults in this country). Many of us also have an aversion to maths. The 'reduction or removal of traditional face-to-face interaction and assistance for consumers...' is a major risk to the public especially those who find reading, writing, numeracy and or technology difficulty.

It would be good to link in with education providers at all levels to ensure that they are aware of your planned initiatives so that they might be able to alert others to potential risks and benefits when it comes to providing information (their own or others).

Financial firms do their bit

Financial firms should build in a goal to increase (or support) the financial literacy of their more vulnerable customers. And, the success of these should be tracked. This work could be done as part of the CSR role and it could be akin to the partnership NALA had with the EBS as together they developed an A-Z Plain English Guide to Financial Terms. While a paper-based resource, it is available [online](#).

Keep the value of emotion in mind

Don't underestimate the emotional side of using stories about financial risks and benefits and so on, on social media platforms. Developing real (or fictional personas if necessary) of customers' reactions to new products might be useful. KGB Bank in the Netherlands gauged customers' reactions to financial initiatives from a customer blog where the customer (fictional in this instance), gave live (ish) feedback to the work of the bank. If its feedback was negative, then the staff were found to be highly motivated to rectify the situation.

This might help in preparing staff to sell products using digital technology.

Q9 How could the consumer protections in the Code relating to the provision of information be enhanced? Please outline the reasons for your proposed enhancements.

Increase awareness-raising efforts about the Code

Our research shows and we know too that many people are unaware of the current Code and the protections it provides. In view of this and any new protections that will be introduced, we think that the Central Bank and the firms and business it regulates should promote the Code more particularly at local level and on screens where transactions happen.

Perhaps, start with a TV ad campaign to raise awareness of the Code... TV is still the most popular source of information although social media sources are a close second in Ireland.

Partner up

We think you also need to partner up with us, Citizens Information and other parties to get the message out there more about the Code and its protections and new developments in this area.

Q10&Q11 Suitability

The existing 'requirement to provide a written statement of suitability to the consumer' is commendable. We haven't read a statement of this sort, but we imagine that this would be useful. That said, in writing why a consumer is suitable for a project (or anything), it might **also be useful** to highlight why they may not be suitable at the same time. Writing we think you are suitable as many people in your age cohort (or whatever) with your salary has found this project useful. However, it is only useful to you if your social and health conditions are the same. If you have x, y or z then this project may not suit you.

The presentation of why something suits me as a consumer is more ethical and trustworthy when I also see why it might not suit me. This wouldn't suit firms I'd imagine but it would suit most consumers once the information was appropriately presented in terms of language and design.

Q12 Q13 **Complaints**

Complaints processes written in plain English along with clear timelines for expected response times. Responses to complaints also to be written in plain English.

Q14 Q15 **Claims handling**

No formal response.

Q16&17 Record keeping

It would seem that the recent EU ruling on durable media is significant and would be one to emulate. Again email (and other) correspondence should use plain English and plain numbers.

Q18 Other areas Q19 New risks

No formal response at this point.

Q20 More responsibility on firms to protect consumer in using innovative technologies... Q21 Digital journey?

Tracking and mapping the Digital Journey of the customer seems like a very good idea. It seems akin to the NDA's principles of accessible design and customer's journey.

Q22 Barriers to adopting new technology by firms

No formal response.

Q23 More innovation in how stakeholders are engaged

- Use remote meetings and engage stakeholders in 'real-time' testing of sample products
- Partner with stakeholders on digital projects such as this [website](#).
- Engage more with NALA and with adult literacy students who might be in a position to trial digital products and to provide useful feedback.
- Write blogs on digital projects (plain English blogs) and send link to stakeholders. Personalise the blogs though as otherwise this won't be as interesting.
- Advertise the value of plain English and have plain English digital champions and advocates.