

FSCS Podcast- Episode 23: Future gazing: investing in technology to help our customers

Caroline Rainbird 0:02

Welcome to protect your money with FSCS, the podcast from the Financial Services compensation scheme. I'm Caroline Rainbird, FSCS Chief Executive, and in in this series, the fantastic FSCS team will help you understand how we can help to protect your money, so you can feel confident that your money is safe. Hope you enjoy the podcast.

Richard Freeston-Clough 0:28

Welcome to the FSCS podcast. I'm your host Richard Freeston-Clough. I'm a Communications and Stakeholder Business Partner at FSCS. You may or may not know that FSCS, that's the Financial Services Compensation Scheme, exists to protect customers of authorised financial firms that have gone bust, by paying eligible people compensation. We protect lots of financial products, but not all of them, so this podcast series is designed to help you understand our protection and why it's so important.

Today, we're going to take a look into the future and how we can improve the experience for customers when they come to FSCS. We're also going to look at how we invest in technology to help us deliver a high-quality service and provide the best value to levy payers who fund us. Along the way, we will be looking at some of the challenges and opportunities presented by new technology. But first things first, let's introduce today's guests, I'm really pleased to be joined by our Chief Data Intelligence and Technology Officer, Sabah Carter, Head of Enterprise, Architecture and Emerging Technology, Chris Millard, and our Interim Head of Customer Experience, Paul Sweet, who I believe is now the fourth Paul to feature in our podcast series!

But before we get going, there's one other thing to mention, regular listeners will know that we asked each of our guests the same question at the end of every episode: We're all about keeping your money safe, but what was that toy that got you breaking open your piggy bank as a child?

Right, before we get out our crystal balls and gaze into the future, I thought it might be a good idea to set the scene and put a few things in context, we'll look at some of the recent trends in the financial sector and when it comes to FSCS's work. So, Paul, can you give us an idea of the kind of trends you're seeing when it comes to claims being made to FSCS? And what we might expect over the next few years?

Paul Sweet 2:15

Yes, sure. Thanks, Richard. And it's true, there are a lot of Pauls working for us, so I'm one of, one of many! What's going on over the last few years really is defined by the number of relatively straightforward claims we've been receiving, reducing quite sharply

and more complex pensions, and investment claims increasing in volume. And those more complicated claims take much longer to process. They require more evidence documentation for our customers. Often the claim itself is quite straightforward, but the challenge lies in understanding the product and what the firm that has failed was doing. And you know, we really expect that trend to continue in the coming years.

Richard Freeston-Clough 2:55

Paul, there's been lots of change in recent years, hasn't there?

Paul Sweet 2:57

Yes, in particular, around technology, the pace of change in the financial services industry has really intensified with an ever-more complicated financial services ecosystem, new entrants and products, some of which are unregulated and therefore not protected by the FSCS, coming into the market. When it comes to E-money, although E-money institutions themselves don't come within our protection, so if an E-money institution fails, FSCS won't pay compensation. However, any EMI funds deposited within a bank are covered if that bank itself fails. So, every day, as you can see from that example, consumers are facing more complex choices about where to invest as they strive to make their money go further and it's a world with constant evolution, and one where FSCS has got a very real connection because of who we are and what we do.

Richard Freeston-Clough 3:51

Now FSCS has placed a lot of emphasis on investing in technology and its budgets over the last few years. So, Sabah, would you be able to talk us through some of the ways in which we're already using technology and the benefits that investment can bring?

Sabah Carter 4:04

As the Chief Data Intelligence and Technology Officer at FSCS, I want to make sure that we have access to the best technology solutions. We need to be able to innovate to improve the experience for customers coming to us to make a claim. We also need to ensure we reduce the burden on the levy payers who fund our service by delivering solutions which are fit for purpose and efficient. I'm really excited by the potential that has been unleashed in the past five years.

But I'm also very mindful of the risks where technology is not currently meeting the hype expectations, and it's unable to provide a solution and the ways that might change the skills that we need our people in the organisation to have going forward. In order to address these challenges we face, we're investing in our people and our systems with a

three-year plan to enhance our claims handling capabilities, so we can effectively look ahead, plan for the future and respond efficiently and effectively with the changing claims landscape.

Richard Freeston-Clough 4:58

And Chris, can you give a few examples of what we have been investing in?

Chris Millard 5:01

Sure. Well, our aim is to bring in specialist resources where necessary, but also develop our in-house capability, and that's in particular in vital areas, like data insight policy. So, we're committed to investing in technology as Sabah said, finding and developing new innovative ways to help us process claims.

One example is our new data lake and search tool: The data lake is a large pool of unstructured data, such as emails, policy documents, application forms, that sort of thing, which are trained handler would normally need to look through. And the tool uses machine learning to search and highlight those words that the claims handlers should be looking for, and significantly reduces the time it takes to find key documents. That can help us understand the product that the claim relates to and what the failed firm was doing, which is a key part of the process.

Paul Sweet 5:49

And Chris, I think at this point, it is really important to reassure people that FSCS doesn't use AI (Artificial Intelligence) to assess claims. We're using it to help our claims handlers deal with the information that's needed to process the claim and that frees up our specialists to focus on what they really need to do to get the right decisions. So, it's all about helping people do their job more quickly, rather than substituting a human for an AI machine to make the decision.

Chris Millard 6:16

Yes, I think that's a really good point, Paul, and just as an example, we just started trialling some software which is better able to process information on forms. And obviously, we deal with a lot of different forms that come through from firms, that uses advanced machine learning to extract text and tables and structures from documents, automatically and accurately. And it allows us to turn those documents into usable data and shift our focus or the claims handler's focus to actually act on the information rather than compiling it and reading it. Until recently, the software we've had struggled with things like tables and checkboxes in documents but this new software is much

more powerful, and able to draw out the details, as well as being able to do things like read handwriting, and even transcribe audio, so, calls. So that's just a really good example, I think.

Paul Sweet 7:02

Thanks, Chris. So, I think what that shows is that we're always looking at ways we can try and speed up claim times, because what we want to do is put customers back on track at the earliest opportunity, you know, obviously, whilst ensuring the outcome is the correct decision, or the right one. So, by using these AI tools, claims handlers reduce the amount of time it takes to identify the relevant documents, and the information needed to support the claim decision. And this is really important, because it may not be very well understood by a lot of people, but the majority of our time is actually spent gathering evidence from third parties to build a full picture of the customer situation or the point of failure. And that's what we need to enable us to accurately judge how much compensation they're due.

Richard Freeston-Clough 7:45

Paul, is there anything else that we've been doing to try and improve the overall customer journey that you can talk us through?

Paul Sweet 7:50

Yes, there's a lot actually, Richard, but I'll pull out a couple of examples. So, in particular, over the past couple of years, we've been working with 16 FCA authorised firms, and they're the people who actually provide about half of our data gathering requests, which is what we need to settle the claims. And so, we've worked with those firms to try and improve the overall customer journey by reducing response times. That increases the success rate for getting information and then enables us to put in lots of process improvements. This has been very successful, actually, we've reduced response times by about 19% and we're continuing to work to drive that down further and we've extended the scheme now to 20 firms.

So, in addition to that the technology is allowing us to be more proactive in analysing and assessing whole datasets. What that means is that we get all of the data associated with a firm and analyse it to enable us to make decisions without involving individual customers at the outset. So, this means that some firms, customers may no longer need to actually come to us to make a claim, and compensation can be paid to them automatically.

Richard Freeston-Clough 8:56

So, as we've heard, at FSCS, we're already using artificial intelligence (that's AI), to help claims handlers process claims, and we're investing in further work to take advantage of the opportunities it offers. There's been a lot of hype in the media about Chat GPT in the last few weeks, do you think there is any potential for FSCS to use this kind of software in its day-to-day work? We'll turn to Sabah for this one.

Sabah Carter 9:16

I'm sure there are lots of ways we may be able to use chat GPT or other AI products in the future with the overlay of human judgement to help make us more productive at FSCS without becoming too reliant on it. My team and I have been having fun experimenting with it in recent months, for example, helping us write code and we've learned lots about what it's good at, as well as some of the pitfalls. For example, we found that Chat GPT is happy to say when it doesn't know something, but if you ask enough times, it will give in and make something up. It's almost more human like, almost like a child because of these pitfalls. We've also found that it was very happy to embellish a small number of facts we fed it to create some interesting output.

Richard Freeston-Clough 9:16

Sabah, what do you think of the risks of greater use of technology in financial services?

Sabah Carter 9:23

There's no question that we're going to have to revisit our policies and processes if we do start making use of Chat GPT or any other AI in the future, to make sure people understand when to use it and when not to use it. It can certainly help save time when scoping a task, providing an outline for a report or summarising long passages of information, and even writing code. But we wouldn't trust it to write a whole report for the board.

Ethics and data privacy will be core considerations and people should be wary of entering data into systems which have not been clear on how their data will be stored, reused, or even passed on and to who. You should always feel comfortable asking any organisation how they plan to use your data with new technologies they are adopting, and responsible organisations like us will always be happy to explain.

Richard Freeston-Clough 10:45

With this, it's really important to know where you actually draw the line Sabah, isn't it?

Sabah Carter 10:49

Exactly. Its limitations aren't a reason not to give it a try. As with any innovations, what matters is where you draw the line, and understanding the limitations of what you are using and the risks. So you can use it in the safest and most appropriate way to ensure the best outcomes for yourself, your customers and society as a whole. More widely, the law and regulations must also keep up with the increasingly sophisticated techniques and technologies used in scams.

Richard Freeston-Clough 11:16

So FSCS published some research recently on financial advice. And one of the things we identified was an advice gap, with many people feeling that they're priced out of the advice market. So, do you think artificial intelligence can help us close the advice gap? Chris, what do you think?

Chris Millard 11:29

That's an interesting question, particularly as we're often talking about need to improve financial awareness and education. We can see that Chat GPT and other similar things are already disrupting the financial advice market. It's able to answer questions about pensions, protection, investment, stocks and shares ISAs, for example, based on what it knows. Some experts believe this won't be long before technology could deliver suitability reports, for example, and they're bravely sort of suggesting they could replace small advice firms. It's clear that technology can help advisers, and it's been suggested that many aren't making as much use as other parts of the financial services sector.

Richard Freeston-Clough 12:08

Thanks, Chris. Have you any thoughts on this Paul?

Paul Sweet 12:10

Yeah, so we often see poor financial literacy leading customers to make bad financial decisions that cause lasting harm and do contribute to rising compensation costs. So, I think, yes, technology does have the potential to tackle the advice gap and hopefully make sure people are better informed.

Richard Freeston-Clough 12:27

With all this in mind, Sabah, do you think we need to worry about the robots taking over?

Sabah Carter 12:31

Well, over the last 20 or 30 years, or even longer, I've heard people say that technology is taking over our lives. It is clear that a whole generation of people enter the workforce needing to be very computer literate, and able to use technology in an intuitive way we have not done up to now. And not just those in customer-facing roles, software engineers will always be needed, it's more a question of what they'll be doing in 30 years' time, which I'm sure will be very different to today, you only have to look at how software engineering has evolved in the last couple of decades alone.

It's hard to predict the future completely, but in a world of work, even for engineers, soft skills, the ability to tell stories, and to really connect with people are skills which are going to be key to navigating the complexities and opportunities. To come back to your question, I don't really think there's a danger of robots taking over but it's the people who control the robots that we've really got to worry about!

Richard Freeston-Clough 13:22

And Paul, when it comes to recruiting for the future, how do you think we're going to attract the type of talent that we'll need for those future roles?

Paul Sweet 13:28

Well, there's a number of themes that are coming into play here, the UK workforce is ageing, and according to the Centre for Ageing 'Better', as of 2020, a third of all workers are now aged 50 or over. So that's 4 million more than 20 years ago. These numbers show that it's important that we think about what entry points we can offer to younger people to allow them to join this industry, and how we can overcome any barriers they may face to entry. So only by doing this will we achieve a really diverse and sustainable workforce in the future.

One significant barrier I think we can underestimate is technical knowledge and experience. And you know, these technical and operational jobs require complex skill sets and knowledge that can only really be gained by doing the job. So, it's hard for younger applicants with little to no job experience, to access these kinds of roles and the danger is for us is that we might be missing out on people with huge potential. So, you know, this is, again, complicated by the fact that even the same jobs in different businesses use different softwares and systems and, of course, the wide range of products FSCS covers.

Richard Freeston-Clough 14:30

So, Paul, how do you think we can break down some of these barriers?

Paul Sweet 14:34

That's a good question. So, there's a number of ways that we're already trying to break down these barriers. Our apprenticeship scheme is one, offering the opportunity to work in an area of the business while studying for a qualification. And we also develop our people through a structured development programme called 'Career Pathways', which puts the emphasis on diverse skills and experience rather than just straight-line development. We've also recently joined the Financial Services Skills Commission which is very similar to our own name and really hard to say quickly, but it's an independent industry-led body that aims to ensure our industry has got the talent and skills it needs for the future. So, you know, a really worthwhile cause.

Richard Freeston-Clough 15:13

So, many of our listeners will know that last July funeral plans became the latest products to gain FSCS protection. I'm wondering, Paul, do you think there are any products which FSCS does not currently protect, but which could eventually become protected in the following years?

Paul Sweet 15:27

Yes, I mean, obviously, that's a source of constant debate internally for us. And there's been a lot of coverage of cryptocurrencies over the past few months, so the Bank of England and the Treasury recently launched a consultation on the digital pound, and whilst no decision has been made as to whether or not one will be created, the Bank of England and HMT judge it is likely that one will be needed, and that the next stage of preparatory work is justified. However, if a digital pound were to be introduced, it's the banks intention that it will not be eligible for FSCS protection.

Other things that FSCS currently don't cover include equity release and buy now pay later services which have been growing in popularity, particularly during the current cost of living crisis. These have been accompanied by calls for more or better regulation and protection for the consumers. So the long and short of it is, I suppose we'll have to wait and see and if anything is added to the list of things FSCS protects, which is already fairly comprehensive, then we'll respond to that.

Richard Freeston-Clough 16:24

Thanks everyone, that's a lot of food for thought! But you can't get away that easily. We've got one final thing to do. Now, our usual question: We're all about keeping your money safe, but I'm just wondering, what was that toy that would have got you breaking open your piggy bank as a child? Shall we start with Sabah?

Sabah Carter 16:39

I think I would have had to break quite a few piggy banks for this one. The one thing that I definitely wouldn't have wanted to do without when I was a kid was my ZX Spectrum, which I think gave me my taste for where I've ended up today.

Richard Freeston-Clough 16:50

Thanks Sabah. How about you, Chris?

Chris Millard 16:52

Showing my age, but it was always the Star Wars action figures, I'm afraid.

Richard Freeston-Clough 16:57

What about you, Paul?

Paul Sweet 16:59

Well, I was mad on space Lego. And I've actually still got it in a biscuit tin in the loft and it looks a lot smaller now than I remember. I think it's shrunk over time, but I've still got it up there.

Richard Freeston-Clough 17:11

It's really interesting. Thanks for that.

Sabah Carter 17:13

Richard, you didn't tell us what you would have broken the piggy bank for?

Richard Freeston-Clough 17:17

That's a good one, isn't it? Probably football programmes, actually. I grew up not in the digital age, so, again, I'm showing my age, I suppose. I used to have a good read of a football programme for my favourite football team, Aston Villa.

So, thanks so much to our guests today: Sabah, Chris and Paul. I hope everyone listening enjoyed the podcast. As always, if you want to hear more from FSCS, you can find all our podcasts on our website. That's www.fscs.org.uk and wherever you usually find your podcasts. Please do follow us wherever you listen to your podcast, so you never miss a new episode. Thanks very much for listening.