

Request for proposals

What can we learn from retail banking practices during Covid-19?

October 2021

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Fair4All Finance is seeking a provider to research the provisions that retail banking lenders put in place to support customers through the financial shocks that they faced because of the Covid-19 pandemic.

Broadly, this work should seek to detail the different support measures put in place, the customer demographics reached, and the impact these interventions had on customer financial wellbeing and overall wellbeing. The research should be framed around the different operational and financial implications it had for retail banking providers.

Insights from this work will be used by Fair4AllFinance and partners to inform how mainstream banks can take learnings from the temporary measures and best serve customers who are classified as financially vulnerable in the long-term. The insights will help to formulate recommendations at the product and policy level.

About Fair4All Finance

Fair4All Finance is a not-for-profit organisation founded in early 2019 to improve the financial wellbeing of people in vulnerable circumstances by increasing access to fair, affordable, and appropriate financial products and services. We have three main priority areas:

- Expanding provision of affordable credit through a scaled community finance sector
- Partnering with banks and financial services providers to support the delivery of products and services for customers in vulnerable circumstances
- New product and market development – developing and scaling products and services to address market gaps

You can find our full strategy [here](#).

Introduction

The Covid-19 pandemic caused an unprecedented financial shock to millions of people in the UK. The FCA found that 27.7 million adults have seen their financial situation worsen since the start of the pandemic and StepChange estimate that 11 million people have built up £25 billion of arrears and borrowing to pay for essentials since March 2020, averaging £2,300 per person.

This is despite swift positive action from the FCA and the financial services industry in meeting some of the challenges that people faced, giving 4.5 million people payment deferrals and offering 27 million personal current accounts access to an interest free overdraft at a time of real uncertainty.

The challenges that people faced during Covid (job loss, bereavement, income shocks) are the same ones that people face every day. We think there is potential to learn from the successes of the Covid measures and see what can be maintained in the financial system going forward into a 'new normal'.

Given the size of the change, this is the time to have a conversation about how the financial system can be supportive of a bigger group of customers over the long term.

Initial analysis of coronavirus linked forbearance by the FCA found that firms had, in general, risen to the challenge and met the demand for additional support from customers after initial payment deferrals ended, however there is more to learn about the outcomes experienced by customers.

Along with the financial services industry, we would like to conduct detailed research to understand the impact from offering flexibility in measures such as forbearance and interest-free credit measures on customers and operations. We want to come to a view on what of this practice could be feasibly taken forward into regular operations to ensure that the system is set up to support customers at all times.

The Specification

The purpose of the work is to understand the best practice put in place by retail banking providers due to the Covid-19 pandemic and understand the implications this had operationally to the lender, the benefit to the customer and recommendations for future practice.

The Covid-19 pandemic highlighted that the regulators and retail banking providers could and were able to react innovatively with solutions to their customers. From 14 April 2020, the FCA introduced temporary financial relief measures in response to the Covid-19 pandemic. These measures included:

- Payment holidays on the following: personal loans, credit cards/store cards, motor finance, rent-to-own, buy now pay later and pawnbroking agreements
- Support with overdrafts by reducing or waiving interest

Some providers started to put in place measures ahead of the FCA regulation (eg using vulnerable markers to reach out to customers more frequently) and it would be informative to see the spread of this reaction across the market.

An initial summary, to accompany the research, highlighting the genesis of the measures put in place by retail banking providers would provide insight into attitudes and compliance. To understand the systems change process that the FCA followed would also provide helpful insight into the mechanisms needed to make such regulatory change.

The FCA have so far concluded that providers were able to put policies and processes in place to implement measures and build capacity to support customers. However, they have not yet looked at outcomes for customers and retail banking providers.

Through this research, we want to draw out recommendations for future practice, considering the benefit on customers of various practices, the benefit to wider society, and the feasibility of operationalising such changes. We expect the findings of the research to be specific and to make recommendations at the product and policy level, which will be used by financial services practitioners and policymakers to inform future work. To understand best practice, the research should consider:

Operational ease of delivery (from a systems perspective)

- At a macro level, how much support did banks give to which customer demographics, including through forbearance and overdraft support. Focus should be given on the bottom four income deciles and the group that the FCA defines as financially vulnerable
- How did lenders implement the support: were customers made aware of the support available, did support reach customers in time?
- Lenders were able to plan and implement measures very quickly because the circumstances necessitated it, so what does this mean for the future to utilise these mechanisms for permanent change?
- Explore the decision making process that FCA went through to understand how regulation had an impact and what could be adapted again to make sustainable permanent changes

Funding implications

- A comparison between customer demographics and risks and how this interacted with default rates, length Covid-19 measures were required and requested extensions, financial sustainability for the lender
- How, if at all, did the risk profile change across different customers and how has that been sustained?
- The operational implication and cost of this support to banks. By offering flexibility to customers, did that give better operational and customer outcomes and how could that inform future product design beyond current rules in existence
 - For example, forbearance in the form of payment holidays is one form of flexibility and what can be learnt from this for future product design. There were two tranches of payment holidays (two sets of three months or six months simultaneously) so the research should separate out the operational implications, costs, and customer benefits based on this

Short term profit impact

- Were there any changes to capital requirements whilst the temporary measures were in place?
- There are different capital requirements for different customer groups and is there an alternative to this when considering the wider operational costs?

Longer term lifetime value of customer impact

- How does the volume of those temporarily supported through Covid-19 measures compare to the volume of customers in financially vulnerable circumstances?
- Taking a representative sample of customers, what impact did these measures have on their financial wellbeing and overall wellbeing (including health and mental health)
- What was the overall economic implication of this support, beyond the immediate financial benefit for customers?
- Lenders were not meant to record payment holidays as missed payments to Credit Reference Agencies (CRAs). How was this communicated to customers and any impact it may have had on use of payment holidays?
- Explore the long-term customer value from taking a short-term financial loss. How did this influence trust and customer loyalty to retail banking providers and any financial gains from customer access to additional products and services?

The research should highlight what were the policy and regulatory changes that could be enabling, demonstrate how serving customers in vulnerable circumstances can be done well to deliver positive outcomes that are also commercially sustainable, and identify what else has not been addressed that would significantly increase impact.

Several principles of enquiry will inform the way the research is conducted:

- What is best practice in delivery?
- Where are the gaps?
- What does a good solution look like?
- What does best in class look like?

Resources

We welcome proposals from researchers on a robust methodology to achieve the aims described above. This research will require significant engagement with lenders, customers and other stakeholders if it is to be able to gather the evidence base and address the points above.

Fair4All Finance is seeking collaboration from the largest retail banks in the UK to deliver this work. This collaboration would involve:

- A commitment to inputting data into the process (where arrangements can be made for this to only be seen outside of analysts in aggregated form)
- A commitment to work with the research team on the practical implications of both the measures last year and potential future recommendations
- A commitment to considering implementing recommendations from the research when they are published

You will also need to have access into banks at a senior level that can provide data and insights to support this research.

The research will be for an audience of mainstream banking providers, regulators, public policy makers and consumer researchers, and will be used to inform best practice within retail banking providers. Fair4All Finance will use the findings to advocate for change at product and policy level.

We would aim to have findings available in Q1 2022.

Outputs/deliverables

- Participation in a research inception meeting
- Participation in regular catchups and progress meetings outlining current status, progress to date, next steps and challenges or issues experienced
- An interim presentation, summarising key findings from the first phase of the research with Fair4All Finance and other relevant stakeholders
- A draft final report for comment
- Final outputs will be:
 - A final report, produced in Fair4All Finance branding, setting out research findings and best practice learnings from Covid-19 to serve customers in vulnerable circumstances
 - A short separate key findings document in the same branding
 - A set of research data, to be stored in a readily accessible electronic format such as excel
 - Presentation of findings at a launch event
- Joint external publication once finalised and agreed with Fair4All Finance

Dates and timings of above outputs/deliverables to be discussed with research partner to ensure final output delivery in Q1 2022.

Timings

Timetable for request for proposals:

Stage	Dates
Request for proposals published	11 October 2021
Clarification questions due	20 October 2021
Proposals due	1 November 2021
Assessment	Up to 3 November 2021
Interviews (up to the top 3 proposals)	If applicable from the 4 November 2021
Decisions made	By 10 November 2021

Your response

To respond to this request for proposals, please provide a proposal for how you would deliver the required specification for the scope of services as outlined above. The proposal assessment criteria and requirements are set out below.

Clarification questions on this request for proposals may be addressed to ayesha@fair4allfinance.org.uk by **20 October 2021**.

Any question responses which are relevant to all will be shared with all applying parties. If you intend to submit a proposal, please advise us at your earliest convenience so that question responses can be shared. Questions will be anonymised before responses are shared with respondents.

We would be pleased to receive joint proposals where providers believe they can better fulfil the specifications of this brief by working in partnership. In these cases, please specify a lead organisation in your proposal.

Budget and Pricing

- The total budget for this piece of work is £100,000, including VAT, travel and all other expenses. If you believe a higher budget is required, please get in touch to discuss further
- There is potential for up to £80,000 of additional work on top of this core proposal on evolving project needs, please supply a rate card for future potential work in addition to your bid for the outlined scope
- We would welcome proposals which identify a way to deliver the requirements for under the identified budget on a fixed price basis
- Given the not-for-profit nature of Fair4All Finance, and our founding and funding through government, please indicate where you have given a discount on commercial rates
- Please outline any VAT and/or expenses which may be payable clearly and separately

Proposal submission and scoring criteria

Please email a proposal of no more than 6-10 pages to ayesha@fair4allfinance.org.uk by 1 November 2021.

Scoring is based on how well the proposal addresses the criteria in the table below, plus the cost of service.

Proposals submitted will be assessed by Fair4All Finance against the following questions:

1 Understanding of requirements Please explain your understanding of what this work is aiming to achieve. To what extent does the proposal demonstrate an understanding of the issues related to this brief?	10%
2 Please set out your proposed methodology by stage Please set out your detailed research plan to achieve the aims described above. This can include research questions, partners, available data, approach to data collection (survey, interview, focus group), target population, analysis, and secondary data requirements. Be as specific as possible, however we understand methodology can change depending on data sources available (ie relevant data from partners and other stakeholders). To what extent are the methodology and methods appropriate to the requirements set out in this brief?	20%

<p>3 Relevant experience</p> <p>Please set out your experience of delivering impactful research focused on consumers and/or financial services providers. In addition, please outline your experience in analysing financial services business models and ability to identify gaps and best practice solutions.</p> <p>Fair4All Finance will aim to provide access to data from relevant retail bank(s). Please also outline any links you have into banks at a senior level where access to data and insights can support this research.</p> <p>Please provide the name of two references we can contact in confidence, and at our sole discretion to confirm the work you undertook and its relevance.</p> <p>What degree of experience does the bidder demonstrate in order to successfully complete the work?</p>	30%
<p>4 Appropriate resourcing</p> <p>Please set out your resourcing plan and assumptions about the time commitments you plan to make by grade and resource type. Please make it explicitly clear who will be accountable for the work and who our day-to-day contact will be.</p> <p>Please provide CVs or pen portraits for team members who would lead the research. We are seeking a diverse team who can ensure that broad perspectives are brought to the work so this should be reflected across the team members.</p> <p>How well has the bidder structured a team in order to successfully manage the contract and deliver the required work to the budget and timetable required?</p>	15%
<p>5 Value for money</p> <p>Please review the budget and pricing details above and provide a breakdown of the cost of service.</p> <p>To what extent does the proposal represent good value for money?</p>	25%

Notes

- Request for proposals responses not received by the deadline will not be considered
- Quotations shall be valid for 90 days
- All bidders are solely responsible for all their costs and expenses incurred in connection with this procurement process at all stage
- Fair4All Finance reserves the right to amend or cancel the procurement exercise at any point. Fair4All Finance will accept no liability for any losses caused by any change or cancellation of this procurement exercise nor any decision not to award a Contract
- Any information submitted to Fair4All Finance may need to be disclosed and/or published by Fair4All Finance. Fair4All Finance may disclose information in compliance with the Freedom of Information Act 2000, any other law, or, as a consequence of judicial order, or order by any court or tribunal with Fair4All Finance to order disclosure
- Data Protection Act 2018 - Any awarded Contract will be subject to the Data Protection Act (DPA) 2018. Fair4All Finance reserve the right to request additional evidence to undertake sufficient due diligence of any Tenderer to ensure they have implemented the appropriate technical and organisational measures to comply with the act

- Fair4All Finance is committed to greater transparency and may publish its tender documents, contracts and data from invoices received and may at its discretion redact all or part of such information prior to publication
- Bidders shall not (and shall procure that their subcontractors and representatives do not) do any of the following without obtaining the prior written consent of Fair4All Finance
 - make a public statement or communicate in any form with the media in connection with this procurement
 - use any trademarks, logos or other intellectual property rights associated with Fair4All Finance and/or its stakeholders
 - represent that the Bidder is directly or indirectly associated in any way with Fair4All Finance and/or its stakeholders or that its or their respective products and/or services are in any way endorsed by Fair4All Finance and/or its stakeholders
 - do anything or refrain from doing anything which would have an adverse effect on or embarrass Fair4All Finance and/or its stakeholders
- Tenders with abnormally low prices may be rejected by Fair4All Finance. Prices that are suspiciously low in the opinion of Fair4All Finance will be considered further before a decision is taken as to whether the price is abnormally low. This will include clarification with the relevant bidder
- Fair4All Finance will award the Contract to the bidder submitting the offer that best meets scoring criteria from the point of view of Fair4All Finance
- Subject to negotiation, Fair4All Finance is able to sign a contract provided by the research partner
- Fair4All Finance will notify all bidders of its contract award decision