The relationship of vulnerable financial consumers with banking institutions. A qualitative study in Spain

ABSTRACT

The financial exclusion phenomenon has been approached from different perspectives. After reviewing the recent literature, we adopt a financial ecology approach and propose a comprehensive framework to analyze the different types of difficulties (access, use and perception) that vulnerable financial consumers face in relationships with banking institutions as well as their underlying causes. We consider financial inclusion as the sustainable provision of financial services and products and an adjustment to individual needs. We examine a special group of urban vulnerable consumers: underbanked people facing poverty and social exclusion. Data were obtained from focus groups and were coded and analysed using qualitative data analysis software. The results show that use difficulties predominate, followed by perception difficulties. Bank pressure and lack of financial training stood out among the main causes of these financial difficulties. We conclude that poorer neighborhoods constitute a distinctive financial ecology produced by the 'discrimination' of a significant number of their inhabitants in the use of mainstream financial services. The study provides evidence of the socio-spatial nature of the exclusion process and calls for further research on the role of policies responses to restrict abusive practices

Key words: financial exclusion, financial ecology, vulnerable consumer, financialization, discourse analysis, poverty, financial capability.

1. Introduction

People facing financial exclusion (FE) have usually been considered unbanked (excluded) or underbanked (underserved) (Anderloni *et al.* 2008). New FE research schemes extend beyond this initial binary conceptualization of 'inclusion-exclusion' (Coppock, 2013) and are enriched by the notion of sustainable provision and adjustment to individual needs (Nuzzo and Piermattei, 2019). Following Coppock (2013: 496), *"ownership of a mainstream banking product does not produce one standard experience of being 'in' the financial system"*: It is a combination of mainstream financial engagement – conditioned by factors such as household income, personal attitudes or banking branch availability – and engagement with alternative financial networks. Sarma (2012) refers to the unequal conditions faced by some persons or groups in terms of "access, availability and usage of formal financial systems".

The literature on FE has moved from a traditional view related to financial products access[1] to a more complex and varied understanding of financial and economic marginalization, and inequality and heterogeneity are present in multidimensional approaches to this phenomenon (Fernández-Olit *et al*. 2019). The social exclusion debate considers FE an obstacle to the regular development of people's lives in developed societies (Russell *et al*. 2013; Corrado and Corrado, 2015). Access to financial services is analysed from a – not fully guaranteed – social rights perspective (Hudon, 2009; Gomez-Barroso and Marban-Flores, 2013). Economic psychology considers the subjective differences in the development of personal financial knowledge and behaviour (Friedline, 2012; Gathergood, 2012; Flores and Vieira, 2014). Some authors have developed FE measurement systems (Sarma, 2012; Nuzzo and Piermattei, 2019) that define different difficulty grades in access to and use of financial services. Finally, financial difficulties are frequently based on geographical determinants (Appleyard, 2011; Aalbers, 2015), and financial ecology approaches analyses the interconnected elements that define the relationship of individuals with finance (Coppock, 2013; Appleyard, 2013; Salignac *et al*. 2016) and highlights the importance of the uncovered financial needs of specific groups such as migrants or rural populations. An ecological systems approach (Bronfenbrenner, 1977) provides a framework to take into account the immediate settings of individuals containing and the way in which individuals interact with and react to their banking and financial environment.

[1] Through initiatives like microfinance or the promotion of social responsibility principles among banks. One example is the initiative of the British Bankers' Association (BBA), by which, since December 2013 and at the government's urging, major UK banks voluntarily publish quarterly mortgage credit information by zip code.

From a perspective of financial ecologies, some authors study financial subjectivities and the conditions under which local people engage both with mainstream financial institutions and with alternative and diverse economic networks in their everyday lives. Most of these studies are focused on the UK and US context, showing an unequal distribution of retail banking production and consumption. For example, poorer and rural areas have been unequally affected by the closure of bank branches (Coppock, 2013; Leyshon et al. 2008) and their inhabitants often accept financial services at disadvantaged terms, due to different forms of knowledge, trust and financial practices built up over time (Leyshon et al, 2004).

FE and poverty are inescapably linked in developed economies: several empirical studies (Fernández-Olit, 2019) conclude that FE is related to social exclusion and poverty, particularly among low-income, migrant and single-parent households. FE is defined by a multidimensional profile related to income poverty, basic deprivation, and own perceived economic stress. Beyond poverty, other determinants are ethnic origin, aboriginal groups, rural areas, disability, health and age, social housing and neighbourhood of residence. There are indeed differences among the groups at risk of exclusion (e.g., immigrants from different backgrounds), and some experience greater vulnerability than others as consumers of financial services (Joassart-Marcelli and Stephens, 2010). Vulnerable, powerless and subaltern consumers are the main focus of scholarly attention in the extant work on marketplace exclusion (Wang and Tian, 2013).

The research has payed attention to potential responses to FE in different national contexts, like microfinance in emerging and developing countries (Nogueira et al, 2020), and community or family support (Simpson and Buckland, 2016), as well as 'negative ones', like predatory lenders, usual in US and UK.

Compared to other contexts with a long, complex history of financial exclusion (UK or US) the formal financial ecology in Spain has moved recently from a highly diverse financial system, with very high rates of bancarization, to a more concentrated and homogeneous one (De la Cuesta-González *et al*, 2020). Saving banks have almost disappeared and other community development financial institutions have not entered the scene. Credit cooperatives remain serving mainly rural areas. Spain has not an explicit financial inclusion policy like US, or a more complex web of partnerships and networks like in UK (Appleyard, 2011). We wonder if the effects of the global financial crisis have formed new geographies of financial exclusion (Appleyard, 2013), but not just from a physical access perspective.

Considering the multidimensional nature of FE and its interaction with social exclusion, this paper wants to examine changes in financial services provision to vulnerable consumers in Spain. We adopt a financial ecologies approach to explore the changing landscape of retail financial services provision of urban vulnerable consumers, particularly low income and low labour intensity households. We propose a comprehensive framework to analyse vulnerable consumers' difficulties in their relationship with banking institutions and the causes of these difficulties. We focus our analysis on the intermediation activity performed by banks (Coppock, 2013), looking at the most basic banking services such as transfers, payments and deposits (Joassart-Marcelli and Stephens 2010). We want to see how they engage with financial services in their everyday lives and the related processes of subject formation. Financial ecologies approach allows us to interconnect elements that define the relationship of individuals with finance and highlights the importance of the uncovered financial needs of this specific group of financial consumers.

Although many studies have analysed the drivers of FE and its relationship with social exclusion, only a few have deepened into qualitative analyses (Harper *et al.* 2018; Coppock, 2013). This paper contributes to expanding the existing literature related to the FE of vulnerable people, which is especially relevant in a post-crisis period of greater inequality and within an environment characterized by a strong transformation of the banking sector (digitalization) that presents lower profitability, higher concentration, more competition (digital platforms), fewer bank branches and less diversity (Ruza *et al*. 2019). Emerging FE problems are expected to be related to the quality of services delivered to less profitable customers. Identifying the expectations of these consumers in relation to banking services is important if we aim 'to leave no one behind' in the financial sphere, in line with the sustainable development goals (SDGs) (United Nations, 2015). Our study contributes to financial geography literature providing some evidence of the socio-spatial nature of the exclusion process of specific groups of low income residents.

The remainder of the paper is organized as follows. Section 2 presents the literature review and the proposed framework. Sections 3 and 4 present the methodology and results used in the empirical study. Finally, some concluding remarks and discussion are presented in section 5.

2. Literature Review

2.1. Financial ecologies approach

Due to the financialization process experimented in the last decades, individuals and households have increasingly become tied to the global financial system in their everyday lives and technological advances have expanded the availability of credit and financial products among a wider and more heterogeneous audience (Froud et al, 2000). Geographical economics have followed different financial ecologies approaches to study the role of space and place in actively shaping and determining the everyday impacts and subjects of financialization. The financial ecology approach argues that the financial system is made up of smaller, partially localized financial ecologies, linked among them to set up a wide net. Each ecology is a social structure *"in which actors, locations and their relations form geographically distinct constellations of knowledge, practices and subjectivities that enable the provision of financial services"* (Grafe and Mieg, 2019, p. 502). As in other ecosystems, certain arrangements emerge and are reproduceable over time, distinguishing financial habitats (Leyshon et al, 2004).

Leyshon et al (2004) argue that it is the relationship between knowledge and trust that helps to explain the evolution of financial services and the generation over time of distinctive ecologies of financial services production and use. They identify diverse financial ecologies in retail financial services: e.g. middle-class suburbs, poor inner-city areas and peripheral public housing estates, mostly ignored by mainstream banking and colonized by a set of financial institutions. Thus, poorer neighborhoods constitute a distinctive financial ecology produced by the exclusion of a significant number of inhabitants in such areas from mainstream financial services.

The financial ecologies approach may enrich the FE studies by building on the entanglement of diverse elements and motivations in the formation of financial subjects (Lai, 2016). Financial intermediaries are vital actors to understand their habitat, as Carolan (2019) shows in the case of investor subjects. According to Leyshon and Thrift (1996), the financial system has an inherent tendency to exclude certain groups or individuals with a higher perceived level of risk, particularly during periods of financial crises when banks retreat to 'quality'. This socio-spatial process, which reflects the risk aversion and profit motive of banks, determines a complex intra-urban 'financial ecology', where the banking infrastructure continues to weaken and the financial risk of poor neighborhoods to increase, reproducing financial exclusion (Dymski and Veitch, 1996). Most of studies regarding FE focus on bank services or individual behavior, and often ignore the spatial forces that restrict access to the financial system for poor, minority and immigrant social groups (Joassart-Marcelli and Stephens, 2010).

Salignac et al. (2016, p.281) conclude that "*individuals are also highly influenced by the external resources, supports and structures around them (e.g., the culture and internal practices of financial institutions, the availability and location of services and supports, the way services are provided, the affordability of products and services, the roles of government and institutions and the context and culture of the country where the individuals reside)".* Therefore, thinking about an ecological model is important to determine the extent to which an individual has the agency to make an informed choice. The problem is not that financially capable individuals, with access to banking products and advice, choose not to use them: "*What matters is if they are vulnerable and that vulnerability is further exacerbated" (*Salignac et al 2016, p.282).

2.2. Consumer vulnerability

Consumer vulnerability is *"a state of powerlessness"* that *"occurs when control is not in an individual's hands"* (Baker *et al*. 2005, p. 134). This lack of control can be due to causes inherent to the individual (age, disability or socioeconomic status) (Baker and Mason, 2012; Hill and Kozup 2007) or to other social factors such as the distribution of resources (physical and logistical factors) as well as economic, social and political circumstances (Baker *et al*. 2005). Vulnerable consumers find it difficult to access resources that are necessary for social normalization, which can have emotional and psychological effects (frustration, stress, low self-esteem or stigmatization) (Dagdeviren *et al*. 2016; Wang and Tian, 2013).

Consumer vulnerability in the financial market may imply inability to make appropriate decisions, greater exposure to overindebtedness or usury (Hill and Kozup, 2007) or greater vulnerability to marketing confusion, which hinders a proper comparison among products and leads to making instant decisions (Bowman *et al*. 2014).

Cartwright (2015) established a taxonomy to summarize the main types of consumer vulnerability. These are especially relevant to financial services: information vulnerability (asymmetry information), pressure vulnerability (making decisions under pressure), supply and redress vulnerability (lack of choice even when there are numerous buyers and sellers and greater difficulties in securing redress), and impact vulnerability (greater impact for low-income consumers in terms of a “poverty premium”; i.e., they are likely to pay more than others for their goods and services (Stearn 2012).

We identify the following four categories according to the recent literature on FE – two external factors and two internal factors, which are related to the types of consumer vulnerability proposed by Cartwright (2015).

Bank pressure

The financialization process that occurred over recent decades provoked a tendency in banks to stimulate the “needs” of customers (Leyshon and Thrift, 1996; Kear, 2013) as the best way to be profitable in a competitive context that became more aggressive before the financial crisis (i.e., supplying toxic products) (Cohn *et al*. 2014). This behaviour continued after the crisis in an environment of low interest rates and the restructuration of banking institutions.

Banks are trying to reduce costs to recover profits, which implies depersonalizing the provision of services, reducing personal advice (basically encouraging customers to use online services) and standardizing products with the help of big data analysis (Koku and Jagpal, 2015, Kear, 2013). All these factors lead to higher risks of supply and redress vulnerability[2]. Thus, the costs of services and their quality are ultimately based on the profitability-risk profile of the client, implying a poverty premium for people with low income (Davies *et al*. 2016; Hirsch, 2013), poor attention in overloaded branches (Fernández-Olit *et al*. 2019; Huysentruyt *et al*. 2013) or diversion to the online banking channel (which is inadequate for the vulnerable low-income population (Gloukoviezoff, 2007; Marron, 2013). An EU survey showed that only 18% of people facing FE were interested in online banking (Ipsos Mori, 2016), and less than one-third were interested in a basic bank account (31%). Banks are also withdrawing from rural and deprived areas (Martin-Oliver, 2018). This banking strategy leads to a reduction in personal counselling and limits clients' resources for making adequate decisions. Aggressive marketing practices (Lascelles and Mendelson, 2012, Kempson, 2002) and deregulation (Braucher, 2006, Garðarsdóttir and Dittmar, 2012) also reflect competitive bank pressures that trigger financial problems such as overindebtedness and generate pressure vulnerability.

Social pressure

Social pressure affects the vulnerability of financial consumers in two different ways. On the one hand, the process of increasing financialization is reflected, among other aspects, in a greater influence of financial entities on people's daily lives (Salignac *et al*. 2016; Bowman *et al*. 2014, Prabhakar, 2013). Financial activity has entered even unexpected areas of life, such as education (e.g. credit or provisions for university studies) (Marron, 2013). It goes beyond bank pressure and is also related to public policies - for example, the weakening of social public provision has promoted individual private retirement (Sinclair, 2014) – or other institutions - the requirement, by companies and fiscal authorities, of having a bank account to receive a salary-. From a critical point of view, the use of financial products is considered a requirement to extend financialization and push citizens to be financial subjects (Kear, 2018; Marron, 2013; Sinclair, 2014). Although access to basic payment accounts is institutionally guaranteed (European Union,

[2] In a perfect market, private law should allow consumers to hold traders to account for breaches. However, the availability of such remedies may be more apparent than real, with some consumers finding it particularly difficult to obtain redress (Cartwright 2015).

2014), financialization implies a loss of control by the individual: people are required to use banking services to meet part of their daily needs, but lower-income clients are denied access to certain banking services (Sinclair, 2013) and have less resources to engage with the 'individual risk' imposed by the financialization (Marron, 2013). On the other hand, materialistic attitudes and the aspiration to high standards of living explain situations in which consumers do lose control, such as overborrowing (Loewenstein *et al.* 2003; Garðarsdóttir and Dittmar, 2012). Both situations may imply making financial decisions under external pressures.

Personal adverse situation

Certain personal situations might affect an individual's ability to obtain adequate value in consumer transactions. Examples include unemployment, unexpected expenses, health problems or a recent divorce. All of these situations make people more vulnerable to overindebtedness or usury (Hill and Kozup, 2007; Gathergood, 2012; Kamleitner and Kirchler, 2007). According to Kempson (2002), job loss, setting up a home and having a family are strongly associated with financial difficulties. Shocks related to these situations may then increase the risk of impact vulnerability and (internal) pressure vulnerability[3].

Financial capability

Financial capability is a complex concept based on the level of knowledge, skills and confidence of individuals making financial decisions (Prabhakar, 2014, Adkins and Ozzane, 2005). The lack of financial capability appears to be a consumer vulnerability driver in the literature but at a secondary level (Disney *et al.* 2008, Gathergood, 2012). It can generate lack of friction (ways in which the flow can be slowed or even stopped to control normal human impulses), easy credit and taking on loans beyond one's means (Harper, 2018) and paying higher costs.

Financial capability building is often associated with financial literacy. Following Figart (2013), financial capability is not only an educational issue but also concerns financial

[3] The greater harm or loss suffered by particular consumers from sub-optimal and not fully voluntary decisions (Cartwright, 2015).

institutions defining the level of risk of information vulnerability (Cartwright, 2015). Furthermore, it is strongly influenced by the family context: Tokunaga (1993) found that the way parents use credit is correlated to people's ability to use credit successfully.

Table 1. Determinants of consumer vulnerability

Bank pressure	**DISCRIMINATION OR POOR ATTENTION (lack of attention or negative attitude from bank employees at a branch level)**	Joassart-Marcelli & Stephens (2010), Fernández-Olit *et al.* (2019), Davies *et al.* (2016), Hirsch (2013)
		Burton (2018), Huysentruyt *et al.* (2013)
		Devlin *et al.* (2014)
		Harper (2018), Martin-Oliver (2018)
	SURVIVAL IN A COMPETITIVE MARKET (pressure to make profits leads to the mis-selling of products, abuses and lack of transparency at an institutional level)	Cohn *et al.*, (2014), Salignac *et al.* (2016), Garðarsdóttir and Dittmar (2012)
		Kempson (2002)
		Fernández-Olit *et al.* (2018)
		Braucher (2006), Lascelles and Mendelson (2012)
	DIGITAL TRANSFORMATION (at a macroeconomic level, branch reductions and redirection of customers to online channels and ATMs)	Marron, (2013), Ipsos Mori (2016), Coppock (2013), Corrado and Corrado (2015)
Social pressure	**COMPULSORY BANCARIZATION (the need to use bank accounts and credit cards in the today's contemporary society)**	Sinclair (2013)
		Salignac *et al.* (2016), Bowman *et al.* (2014), Prabhakar (2013), European Union (2014)
	CONSUMER SOCIETY (materialism, consumerism and easy access to loans)	Garðarsdóttir and Dittmar (2012)
		Loewenstein et al. (2003)
Personal adverse situations	**PERSONAL SITUATION (personal circumstances such as divorce, health issues, disability or return to the country of origin)**	Coppock (2013)
		Harper *et al.* (2018)
		Gathergood (2012)
		Braucher (2006) Adkins andy Ozzane (2005)
	ECONOMIC SITUATION (unexpected expenditures, previous defaults, unemployment, bankruptcy)	Gathergood (2012), Hill and Kozup (2007)
		Coppock (2013), Kamleitner and Kirchler (2007), Kempson (2002)
Financial capability	**Lack of financial knowledge and financial experience**	Friedline (2012), Gathergood (2012), Flores and Vieira (2014)
		Disney et al. (2008), Gathergood, (2012, 2013), Tokunaga (1993),

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2.3. Consumer difficulties: going beyond financial exclusion.

Access difficulties

Physical access has traditionally been analysed as the main form of marketplace exclusion, and branch networks have been considered an important protection mechanism against it (Dymski and Veitch, 1996). Branches are especially relevant for people who live in low-income communities (Kempson *et al.* 2000: 23). It has been argued that a wide branch network contributes to reduce information asymmetries, defined by traditional theories as ex-ante asymmetries (adverse selection) and ex-post asymmetries (moral hazard) (Brealey et al., 1977). As a related problem of these asymmetries it appears the credit rationing phenomenon widely studied in the literature (Jaffee and Russell, 1976). In the special case of vulnerable collectives, it seems that adverse selection problem is even more serious: sometimes financial intermediaries have no previous financial records of this collective, and frequently they do not offer appropriate collaterals. This is especially important in periods of low interest rates and limited margins, when banks have abandoned the cross-subsidy (Marron, 2013), and apply individualized rates/commissions, a “poverty premium”, to avoid adverse selection. People living in poor areas pay up to six times more for insurance (Stearn, 2012). Additionally, not having a debit card push individuals to use more frequently fee-charging cash machines Davies et al (2016). What seems clear is that the presence of a branch network helps increasing the poorest client’s confidence (Leyshon *et al.* 2006).

Access difficulties occur in relation to certain products and services. Although payment and credit services have been the essential ones, the debate is no longer limited to them. Currently, access to advanced financial services such as savings or investment management advice, is seen as a key feature of an inclusive financial system as well as an effective way to close social wealth gaps (Burton, 2018) and even health and well-being gaps (Aguila *et al.* 2016). Corrado and Corrado (2015) confirm that the common financial practices of the community where people live – the financial habitat - determine individual financial use.

Use difficulties

Following Gloukoviezoff (2007, p.217), difficulties of use refers to “the mismatch between the way products are sold to customers or the characteristics of financial services and the needs of people”. Therefore, the concept of financial inclusion has been enriched by the notion of sustainable provision and adjustment to individual needs (Nuzzo and Piermattei, 2019). Underbanking, understood as limited use of banking services, is linked to economic precariousness and involves higher fees and costs, thus becoming a potential factor of social exclusion (Fernández-Olit et al. 2018). The higher costs of products delivered to less profitable customers can determine a lack of utility of using those products.

The main difficulties identified are fees – higher than those paid by wealthier people – ineffective savings products and higher rates of arrears and debt (Harper, 2018). Underbanked people encounter barriers to accessing more complex and attractive products and receive lower-quality assistance and customer care and attention (Devlin *et al.* 2014). Even when such services are adapted and available, the frequency of use remains low for different reasons, such as ignorance of their existence, apathy or lack of funds (Hood *et al.* 2009). The increasing presence of technology exacerbates the disadvantaged position of economically marginalized people (Marron, 2013).

Gloukoviezoff (2007) emphasized that vulnerable people need personal financial advice and banking products and services with conditions adapted to their needs in order to avoid the pernicious effects of inadequate product selection. This is particularly relevant for elderly people, immigrants, and people who are unemployed or in a situation of working precariousness or poverty.

Perception difficulties

In reviewing the behavioural economics literature, we find that in addition to difficulties of access and use, there are relevant difficulties of perception too**.** This is especially important in the usage of financial products, as they are essential for life and are based mainly on trust.

Following Sallignac *et al.* (2016), mental models ("the individual's idiosyncratic set of beliefs – real or perceived – that guides the way to represent, interpret and react to the world") may affect the use of financial products by an underperception of financial status and a low understanding of products ("confusion exclusion") or their adequacy to a specific personal situation.

The use of financial services could be influenced by values, perceptions and emotions – either positive or negative – experienced by users. Individual mental models regarding financial product ownership are influenced not only by personal values and beliefs but also by those of the surrounding social units (Salignac *et al.* 2016). These values and beliefs can reinforce the perception difficulties of people living in socially excluded environments as long as they have fewer resources to face the risks arising from financialization and a greater sense or feeling of insecurity, both individual and collective (Marron, 2013).

According to Devlin *et al.* (2014), customers of financial institutions perceive biased banking behaviour in favour of more profitable customer segments that receive better attention. In fact, the workforce profile of savings and wealth management services tends to be aligned with the characteristics of the most profitable segment of clients (wealthy, male and white) (Burton, 2018). Thus, banks' culture and marketing may be intimidating for some clients (Salignac *et al.* 2016), who turn to other nearer providers such as fringe banking businesses (Bowles *et al.* 2011) and informal remittance intermediaries (Kosse and Vermeulen, 2014). Such bias can more seriously affect vulnerable groups, such as people with mental illness (Harper *et al.* 2018) or unemployed people, who also experience lack of control or high anxiety that lead them to frustration. In turn, positive emotions such as feeling welcome may encourage engagement with fringe banking (Bowles *et al.* 2011).

Therefore, as Anderloni *et al.* (2008) stated, access, use and perception are the three types of difficulties to be considered when analysing the consumption of financial services (see Table 2).

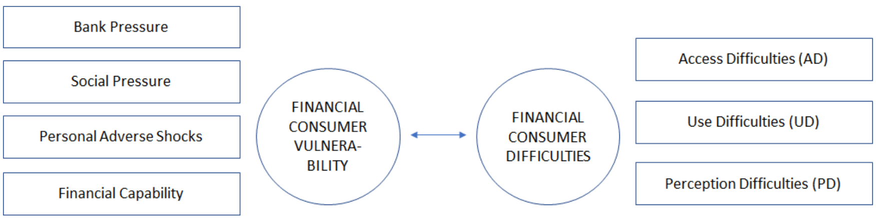
Table 2. Typologies of Consumer Difficulties.

Banking services (branch or online)	**Access difficulties:** Impossibility of accessing certain banking products or services, either in general or through branch or online channels.	Coppock (2013) Anderloni *et al.* (2008) Leyshon and Thrift (1996) Kempson *et al.* 2000 Dymski and Veitch (1996)
	Use difficulties: Facts that imply some degree of difficulty, even though they do not impede the general use of banking products and services (high costs and abusive conditions, misunderstanding of banking language, obligation to acquire products, discriminatory treatment, difficulties in using digital banking services, distance to the nearest branch, lack of information or explanations)	Nuzzo and Piermattei (2019) Leyshon and Thrift (1996) Gloukoviezoff (2007) Devlin *et al.* (2014) Anderloni *et al.* (2008) Kempson *et al.* 2000
	Perception difficulties (emotional factors): Specific circumstances that hinder the usage of banking products and services in general or at a branch level (fear, mistrust, burden, shame, anger or incomprehension)	Sallignac *et al.* (2016) Anderloni *et al.* (2008) Kosse and Vermeulen (2014) Bowles *et al.* (2011) Burton (2018)

Source: own elaboration.

Figure 1 summarizes the relationship framework between the causes of financial consumer vulnerability and the types of difficulties previously identified. The relations between the different dimensions can be diverse. For instance, excessive pressure on the banking supply together with an adverse situation (personal or economic) can either generate access difficulties in vulnerable groups when accessing certain basic banking products or limit their use. Lack of financial capability could lead to use difficulties if consumers do not possess the ability to discern the real cost of products such as predatory loans. Finally, any of the causes of consumer vulnerability can generate difficulties of perception and emotions that further aggravate consumers' relationship with financial institutions.

Figure 1. RELATIONSHIP FRAMEWORK: Consumer vulnerability and consumer difficulties in financial services



Source: own elaboration.

3. Methodology

In this section, we plan the empirical design of the research, which aims to test what kind of difficulties vulnerable consumers experience in their relations with banks and to determine the sources of these difficulties

3.1. Sample selection: country and participants

The empirical study was performed in Spain, focusing on the specific profile of vulnerable financial consumers (those with low income and low working intensity)

in three urban areas: Madrid, a big city, and Guadalajara and Talavera de la Reina, two medium cities (Coppock, 2013). Currently, Spain has high disposable income inequalities, its unemployment rate is among the highest in Europe (European Union, 2019). According to the 2019 Survey on Living Conditions by the Spanish Statistical Office, 21.5% of households were at risk of poverty, and 55.2% stated that they had problems making ends meet, even though bancarization is so deep (93.8% of people over 15). The Spanish banking system has lost diversity, and savings banks, which specialize in relational banking, almost disappeared after the global financial crisis of 2008. Therefore, the concentration of the market has significantly increased: the assets concentration of the five largest banks has increased from 79.3% to 85.8% (World Bank, 2020). This process threatens financial inclusion in that more diverse markets are associated with improved financial access (World Bank, 2014). Studies related to the FE of vulnerable people in Spain address problems such as access to offices (Martin-Oliver, 2018), overindebtedness (Gutiérrez-Nieto *et al.* 2017) or the link with social exclusion (Fernández-Oilt *et al*. 2018). However, we design our study on the assumption that emerging FE problems would be related to the quality of services delivered to less profitable customers.
The participants in the research were selected using convenience and snowball sampling. We collaborated with the European Anti-Poverty Network (EAPN) in Spain, an NGOs platform working with vulnerable people. The research requirements stressed the need to build a socio-demographically balanced sample: gender, age, country of origin and level of income. The NGOs identified 30 persons willing to take part in a semi-structured interview, and the participants were rewarded with a voucher.

3.2. Data collection method

We chose experiential focus groups as the data collection method (Fern and Fern, 2001) to test our theoretical framework. From a practical perspective, it encouraged shared attitudes and behaviours towards banks and enabled us to understand the vocabulary, knowledge and experiences arising in interactions between vulnerable people and banks. Additionally, focus groups provide results that are difficult to obtain with other methodologies and highlight differences among the participants (Diefenbach, 2009).

The focus groups were led by a moderator using a written guide of predefined questions based on the literature review. Table 3 shows the script of the moderator.

Table 3. Script of the focus group

Section	Objective
A. General use of banking products and services (use and perception difficulties)	- To define the level of use of banking products (access difficulties). - To define motivations for self-exclusion. - To detect use difficulties in branch operations. - To detect interest in gathering information and the analysis of alternative banking products.
B. Digital banking services (use and perception difficulties)	To identify participants' skills and attitudes towards digital banking services.
C. Indebtedness	To detect participants' aptitudes and differences in their attitudes towards face-to-face and digital indebtedness (confidence in their financial knowledge, attitude and aptitude concerning fine print, attitude towards risks).
D. Alternatives to banking services and other risks	To discuss participants' attitude towards non-banking institutions or other informal channels and the use of their financial services.

Source: own elaboration.

To complete the process, the participants also had to complete a questionnaire providing both basic socio-demographic data and information concerning the variables tested.

The focus groups were held during autumn 2018. Each author attended two or more focus groups. Each session lasted between sixty and ninety minutes.

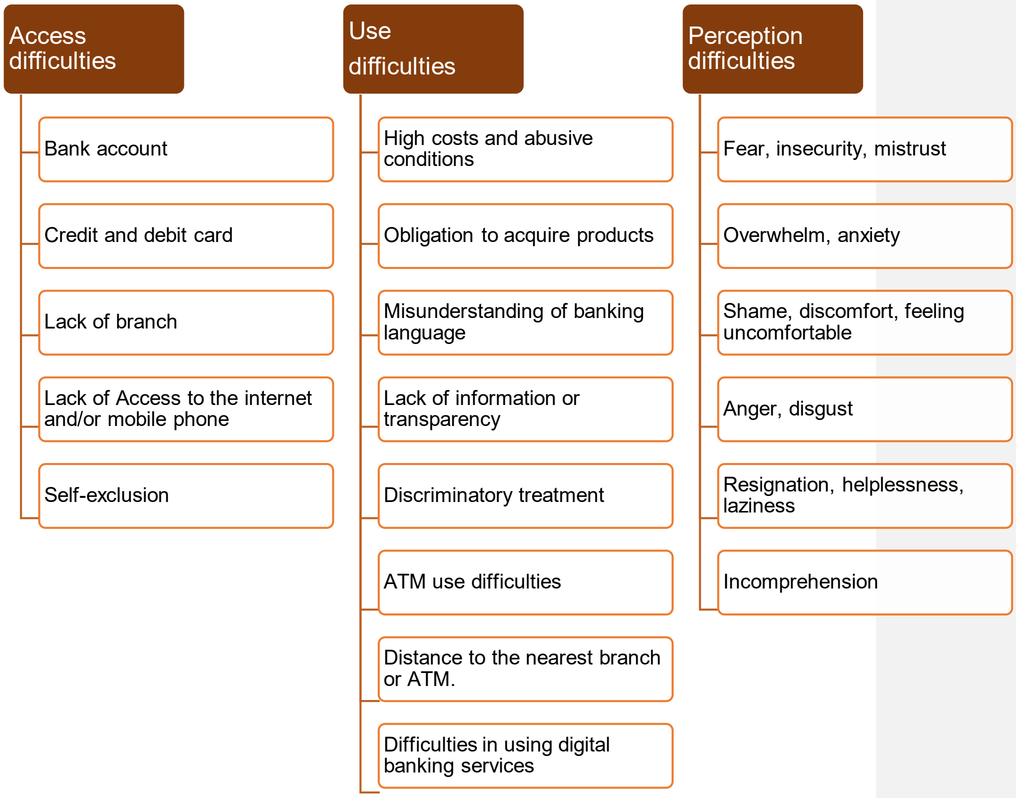
Before the beginning of each focus group, all participants signed a confidentiality statement granting permission for the data gathered in the study, including the audio and video recordings of the sessions, to be used uniquely for research purposes. To ensure consistency, the same moderator conducted all the focus groups using the predefined guide. The research team transcribed all the conversations of the focus groups word for word for subsequent analysis and guaranteed the confidentiality of the content.

3.3. Data analysis

The transcripts served as the basis for a qualitative data analysis. To operationalize the data of the transcriptions, we linked a tree of nodes to the focus group guide in order to facilitate the codification process of the interviews. These nodes reflected the objectives of the research, and their analysis facilitated the identification of possible relationships among the nodes.

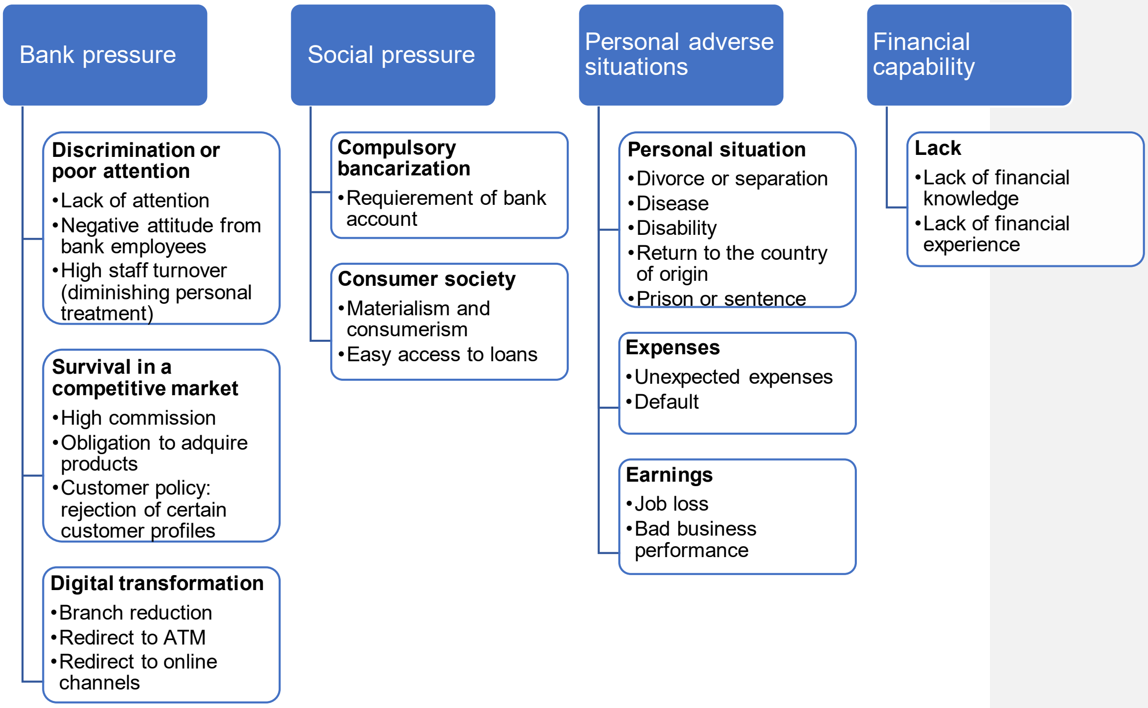
A preliminary definition of the nodes was created from the academic literature. These nodes respond to the financial difficulties investigated in the present study (access, use and perception difficulties) and the causes of these difficulties (transversal aspects to be assessed that cover internal and external causes). As Solomon *et al*. (2011) state, the true analysis occurs at the intersection of the nodes.

Figure 2. Node structure: difficulties



Source: own elaboration.

Figure 3. Node structure: causes



Source: own elaboration.

We proceeded to codify all the transcriptions of the focus groups according to the above-referenced tree of nodes. We used computer-assisted qualitative data analysis software (CAQDAS) to perform this task (Solomon *et al*. 2011; Stubbs and Higgins 2014). CAQDAS facilitates both the systematization of the analytical process and the comparison of researchers' outputs (Weitzman, 1999; Sinkovics *et al*. 2008). QSR NVivo was chosen from among the various CAQDAS programs available due to its advantages, reported in previous studies such as Stock and Boyer (2009) and Solomon *et al*. (2011).

To ensure the consistency and uniformity of the criteria applied in the analysis, we followed a three-step procedure. First, each transcription was codified using the preliminary definitions. Two authors performed the codification simultaneously. At least one of the two authors had attended the focus group to be transcribed, thus providing a field-research background for the process. In gathering the data, we discussed the nodes that best suited each sentence. The preliminary definition of the nodes was then revised and completed during the analysis, considering both the content of the transcription and the discussion of the authors. The result of this process was an intermediate definition of the nodes. Second, each author coded two transcriptions separately, using the intermediate definition of the nodes. We met periodically to jointly determine the scope of each node, to solve any doubts with respect to the application of the criteria and to evaluate the appropriateness of including new nodes in the individual analyses. Table 4 visually summarizes the three-step procedure followed to codify the transcriptions.

Table 4. Summary of the codification procedure

	First step. Each interview is coded simultaneously (initial coding)				*Second step. Each interview is coded separately (final coding)*				*Third step. Third reviewer codification (revision of final coding)*			
	Int. 1	*Int. 2*	*Int. 3*	*Int. 4*	*Int. 1*	*Int. 2*	*Int. 3*	*Int. 4*	*Int. 1*	*Int. 2*	*Int. 3*	*Int. 4*
Author 1	*X*		*X*			*X*		*X*	*X*			
Author 2		*X*	*X*		*X*			*X*			*X*	
Author 3		*X*		*X*	*X*		*X*			*X*		
Author 4	*X*			*X*		*X*	*X*					*X*

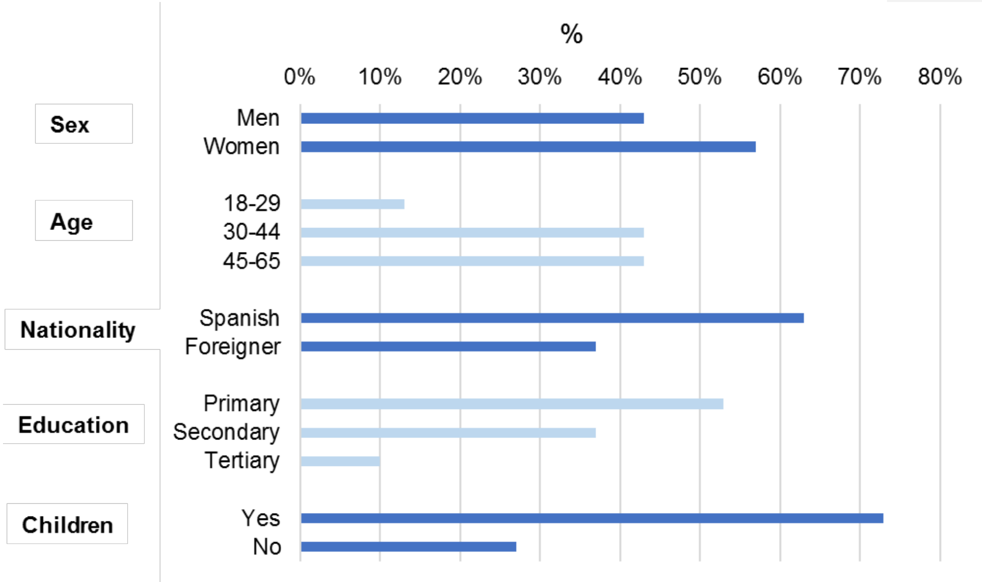
Source: own elaboration.

By the end of the whole process, each author had coded all the interviews with both the initial and the final definition of the nodes, and all the interviews had been coded twice following the final structure of the nodes.

4. Results

First, we present in Figure 4 the main socio-demographic attributes of the sample: sex, age, level of education, nationality and whether they have children.

Figure 4. Attributes of the sample

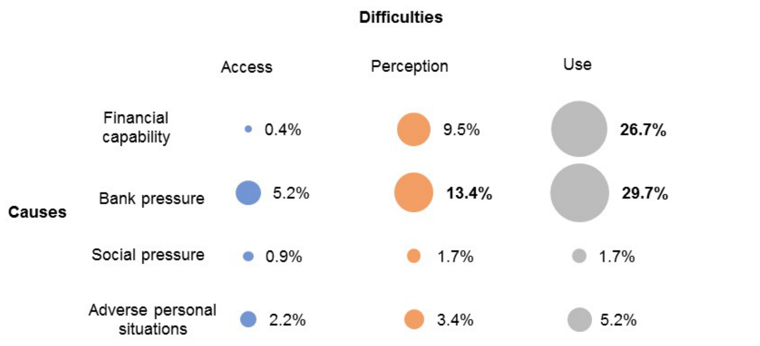


Source: own elaboration (Nvivo).

A total of 232 nodes were defined according to the taxonomy displayed in Figure 5. The figure also displays the percentage distribution of the discourse analysed using qualitative data analysis software (NVivo).

In general, we found that use difficulties are the main type of difficulty suffered by the group of vulnerable customers analysed in the study (63.36%), followed by perception difficulties (28.02%) and access difficulties (8.62%). Among the situations identified in this study as causes of vulnerable customers' difficulties, the main factor was bank pressure, which accounted for almost half of the total cases of difficulties codified (48.28%). Indeed, bank pressure generated difficulties of which 29.7% corresponded to "use difficulties", 13.36% to perception difficulties and 5.17% to access difficulties.

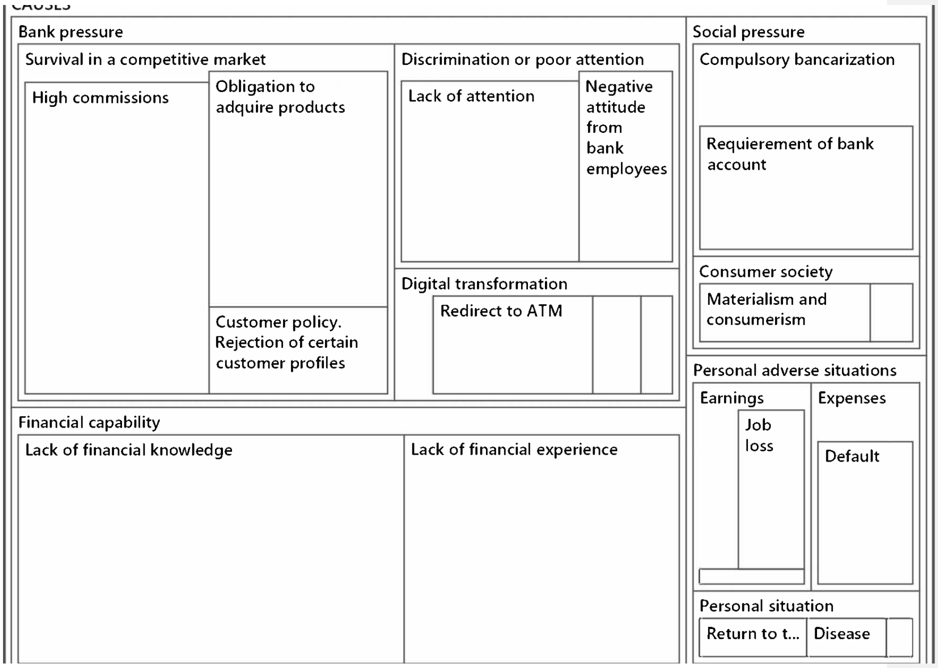
Figure 5: Percentage distribution of nodes: discourse codified.



Source: own elaboration (Nvivo).

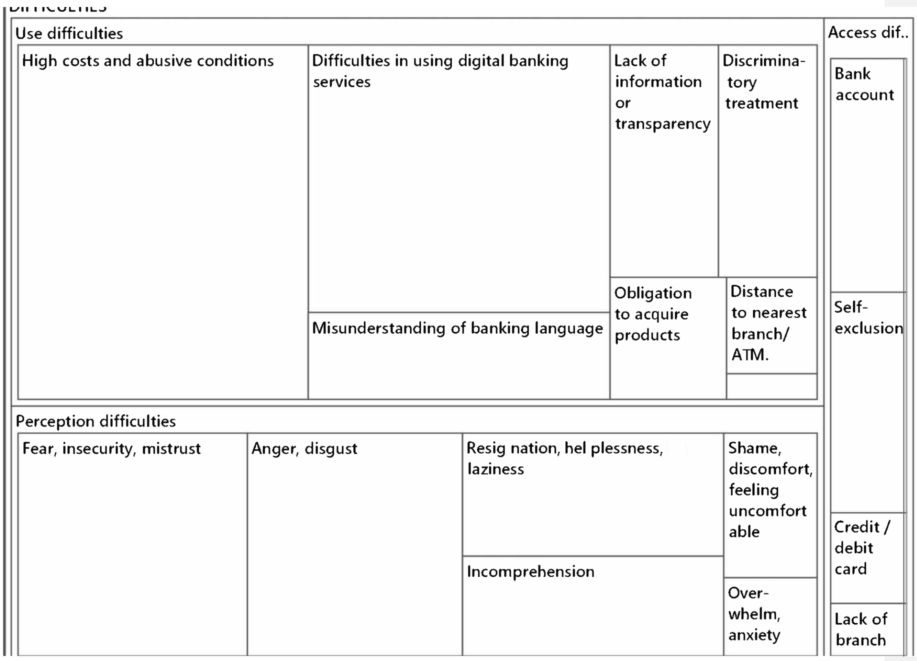
These treemaps visually show the distribution of the nodes tagged as causes (figure 6) and difficulties (figure 7). Bank pressure is the most coded cause, and survival in a competitive market within it. The causes treemap reveals that participants often mention the high commissions of banking services, as well as the obligation to acquire products. Concerning difficulties, the most mentioned use difficulties are high costs and abusive conditions and difficulties in using digital banking services.

Figure 6. Treemap of causes



Source: own elaboration (Nvivo).

Figure 7 Treemap of difficulties



Source: own elaboration (Nvivo).

Focusing on the analysis of use difficulties associated with bank pressure, we found the following:

- A clear segmentation of customers depending on their potential profitability. We found cases of customers in which, the moment their wages were interrupted, the bank started to apply more onerous conditions, for instance, through charging higher commissions and maintenance costs. This is the so-called poverty premium.

Subject 16: "*This happens when a player, when a player scores, then everybody applauds him; when he doesn't score, nobody cares about him: 'hala'. Go away. That is the same with banks, is the same (…) When I get my paycheck, you go to the bank and they offer you a watch, they offer you so many things, and they don't charge you because you have your money there (…), but what if I don't have anything? Then they ignore you completely*."

Subject 4: "*They charge you for withdrawing money, for everything. We are paying so much that before we didn't. Then, a little bit here and there, you pay for everything.*"

In addition to those onerous financial conditions, this group of customers also received discriminatory treatment from a qualitative point of view. Situations such as the following were described in the sessions:

Subject 20: "*When you have nothing, they treat you like a dog; I have lived that in my own flesh, and I say why? I mean, if you have, you are great, but if you don't have, what happens then?"*

Subject 16: "*If you have money, they are earning profits with you and treat you really well; this always happens, but when you don't have money anymore, they don't care whether you go or stay."*

A second consequence of bank pressure in Spain is that vulnerable customers face perception difficulties related to emotional factors. In particular, 13.3% of bank pressure situations generated negative emotions. The emotions most frequently displayed were incomprehension (in 21 declarations), followed by anger and fear (in 14 and 13 declarations, respectively). Some examples are offered below.

Incomprehension

Subject 21: "*I felt myself misunderstood because the day I went to ask the reason for the debt, the employee was terribly sharp (…). I don't understand that way of speaking to anybody; if you explain it to me in a way that I can understand it, maybe I even go along happy.*"

Subject 25: "*From time to time they charge me with 3 euros for the mailing (I received at home), and I didn't comprehend that.*"

Subject 22: "*Every time I receive money in my bank account, I withdraw it. When I see in the account any subsidy or so, I draw out the money. I don't trust.*"

Anger

Subject 13: "*What makes me a bit angry about banks is that you, for instance, go to a bank, and if you are not a customer, you are attended the last. Sometimes you have to wait because they have said, 'Are you a customer or not?'"*

Subject 23: “*They have made me buy insurance against accidents, but I didn’t even realize (…). What accident? If I go walking or by bike,… then they cheated me.*”

Subject 21: “*My flatmate two weeks ago was really upset, she was almost crying, because that about the TV happened(…), they told her that she had to pay a certain percentage, and in the end they discounted her a little more, so she has just enough money for paying the rent, the bills, and now she cannot afford to pay the travel card*”.

Subject 15: “*I fell truly upset because they do what I ask them for. When I go to pay the bill, they refuse, “Yes, right before 11 am”, but I never realize those things, and I decide to go to another bank …pretty furious. What happens is that they want to work the lesser and lesser, so typical, isn’t it? In the end you say that all banks are the same…”*

Fear

Subject 4: “*For sure I feel fear when entering a bank, because you would lose everything. They suck you, they absorb you. For that reason, I never have taken a loan because I´m afraid”. Moderator: “Then, do you really feel fear even with banks?” (…) Subject 4: “Yes, yes, yes, and I have never asked for a loan for that reason. Because I don’t… I don’t trust, you know?”*

Even though the challenge of digital transformation provoked fear within the sample of vulnerable customers, it represented a small percentage of the perception difficulties (7%), and only 9% of the identified cases of use difficulties.

Moderator: “*So do you have the feeling that it is far more difficult to do it through the Internet?*” Subject 23: “*Yes, and it is more insecure too*”. Subject 22: “*If there’s any problem, who is going to solve it?*” Subject 16: “*I carry out neither operations nor transfers at all. Because it is better this way; they understand you well, and you interact with another person*”.

On a second level of importance, we observed that the vulnerability of bank customers was associated with their lack of financial capability. We define financial capability as the combination of two factors: financial literacy and financial experience. Although financial education is not compulsory within the Spanish education system, it is commonly linked to the level of general education. Financial experience is directly connected to previous usage of banking products and services and the intensity of the relationship with the bank. We observed that the lack of financial capability explained 36.6% of all the difficulties observed, of which 26.72% were categorized as use difficulties and 9.48% as perception difficulties. In our sessions, the group of vulnerable customers emphasized the hardship of their relationship with banks in terms of use difficulties, referring specifically to the lack of transparency, information and explanations:

Subject 20: "*They usually talk like that in their language that you don't fully get to know things. Even if you go and say, 'Hey, explain it to me because I´m not understanding it properly; explain it a bit better to let me know'… For instance, my father or elder people of about eighty years old or so, they don't understand because they don't explain things to them as they should, of course*".

The misunderstanding of banking language is a common feature of those who lack either financial education or financial experience. In general, we found that vulnerable customers with low financial capability did not read all terms and conditions of bank products and services, and they wrongly assumed that this is a generalized behaviour. Situations such as the following were exposed in the sessions:

Subject 16: "*There are lots of people who had troubles and who had not read those letters, you know? When you sign any contract, you have to take a lawyer with you or so to explain to you all the details, because maybe you are not aware of these details, and when there's a problem, then they are always right."*

The lack of transparency and explanations offered to vulnerable customers reflects an asymmetry of information between banks and customers, which leads to the perception that banking institutions have an unequal and superior power in negotiations and ultimately intensifies vulnerable customers' use difficulties. This situation is even worse in cases where customers do not possess an adequate level of financial capability.

Subject 26: "*When you ask for a mortgage in a bank, it's all Greek to you, because we don't know anything, while they know everything; that is the way I think. (…) Also, because they don't explain anything, you go, sign up and that's it.*"

Moving to perception difficulties that arose as a consequence of the lack of financial capability, we transcribed some real-life situations:
Subject 28: "*You should be previously informed, because there are a lot of people who read four or five pages in a moment…, on top of that, you are with high adrenaline (…), because the moment and the situation burden you. The first thing you think about is signing and leaving as soon as possible, but I do believe that banks should tell the customer or the person, 'Look, these are good things, the things against (…) So sign here, sign there, sign the others', and he take the papers off, so you see he had limited time (...), then the first thing you do was to sign them, take the money and leave. But you don't know exactly what you have already signed at all*".
Subject 2: "*Right, like me right now, in my savings book I don't enter anything, but they come every month and 'pum' charge you a commission, and after this every three months 'pum' commission, and when eventually some money gets in, they take it all. And you say, 'What do I have this account open for?'*"

Vulnerable customers conscious of their lack of financial capability claimed limits and mechanisms through which they can learn and apply self-control in their financial decisions. This proposal is in line with previous studies such as Harper *et al.* (2018).

Subject 28: "*You can step out of line, but there should be some limits (...) If you overdo by ten euros, it is forty or thirty-nine euros, what they charge you. Then, block my account, and I won't keep on buying anymore. Then, I prefer to withdraw the money and pay in cash*".

The causes of difficulties on the third level of importance are personal adverse situations. They represented 10.78% of the identified cases of difficulties.

Last, we analysed as a potential cause of difficulties a group of factors that exert social pressure, such as compulsory banking and the consumer society that currently prevails. However, the results obtained in this study suggest that the importance of social pressure is low (4.3% of cases).

None of the participants showed experience with microcredit or microfinance, or made reference to other financial inclusion entities. Regarding family, friends or community support for financial needs, some participants claimed to have used their relatives' bank accounts, or to have requested loans, but unusually and only to people with very close ties. It is preferred to avoid these types of financial relationships, because they are often perceived as a problem source, more than as a solution to banking difficulties.

Subject 15: *"If you ask a friend to borrow, then...he becomes your enemy".*

Subject 5: *"When I have needed them [family]they have been there, when [I had] the children and everything,…and the neighbours, just like that ... but not in the money, in the money,…come on! If you don't have, then, how are you doing to return?"*

Regarding other types of lenders, participants mentioned fringe credit companies and pawnshops. Nevertheless, these financial relationships are limited in the Spanish context, and perceived as negative. Most of the participants were aware of their abusive conditions, so they preferred to avoid them as much as possible.

Summarizing the main outcomes:

1. In general, vulnerable financial consumers (low-income people and people with low labour intensity) did not question the necessity of having a bank account. They recognized that the main cause of their difficulties was underlying bank pressures.
2. From the analysis of the discourse, we found that there were asymmetries in the process of setting prices for banking products and services. Price discrimination depends upon the customer profile. Because bank accounts of vulnerable customers offer low levels of profitability, it appears that banks charge these customers higher prices and commissions to make the accounts profitable. The key issue is whether this practice generates an expulsion effect (FE). In this regard, banks are fully conscious that these vulnerable customers

depend on a bank account, for instance, to receive public grants or subsidies. The customer's position in the negotiations is generally that of a price taker.

3. The lack of financial capability is a crucial factor for vulnerable customers. It generates greater difficulties in using banking products and services. Indeed, there is a clear lack of transparency in the relationship between vulnerable customers and banks, which is partly due to the complexity and specificity of banking language.
4. This study revealed that vulnerable customers have a sharply negative perception of banks, and they consider that banks clearly abuse their domain position in negotiations. This perception provoked feelings of incomprehension, anger and fear in the group analysed.

5. Discussion and conclusions

This article has sought an empirically account of the lived experiences of financialization and its difficulties on a specific group of vulnerable customers in three urban areas. In this section, we discuss the main conclusions derived from our results and reflect on how the financial ecology could evolve to better address the needs of low-income collectives.

Difficulties and causes

Among the difficulties faced by the group of vulnerable customers, use difficulties predominated (Gloukoviezoff, 2007). Difficulties in understanding the banking language and high-cost burden (informational vulnerability (Cartwright, 2015)) along with the lack of transparency and explanations and the poorer attention and care received from bank employees placed them in a clear position of inferiority with lower capacity to negotiate (Friedline, 2012; Gathergood, 2012; Flores and Vieira, 2014). As we observed in the focus sessions, the group of vulnerable consumers acted as price takers of the conditions offered by their entities. The lack of choice and supply vulnerability (Cartwright, 2015) made it difficult for them to access more adequate products according to their profile and specific needs (Devlin *et al.* 2014), tailor-made financial counselling (European Union, 2014; Gloukoviezoff 2007), or lower commissions to avoid the poverty premium (Hirsch, 2013). Anderloni et al (2008) find that high bank transaction charges are one of the main reasons of low bancarization in countries like Italy. Thus, in the long-term use difficulties might lead to an increase of self-exclusion.

At a considerable distance, there are perception difficulties, covering a diverse range of distressing emotional and psychological experiences. Incomprehension, anger and fear seemed to be the most relevant responses. Indeed, these feelings aggravated the customers' perception of discrimination and inferiority (Dagdeviren *et al*. 2016). Bank business culture and aggressive marketing may intimidate these clients (Sallignac *et al*. 2016).

Finally, in the analysis of the main causes of use and perception difficulties, bank pressure and lack of financial training stood out. The bank pressure exerted by banking entities to survive competition leads to overloaded branches and poorer customer care, which are especially relevant in low-income areas (Fernández-Olit *et al.* 2019). The lack of financial capability made these clients vulnerable in the face of the complexity of banking language, the financial terms used and banking regulations. Other factors, such as economic or personal shocks, were of relatively minor importance.

¿FE or financial discrimination?

Our results show that, rather than lack of access to formal financial institutions, this disadvantaged consumers suffer from low quality of services and high-cost services and predatory banking practices, leading to an intra-urban 'financial ecology', which reflects the risk aversion and profit motive of banks (Joassart-Marcelli and Stephens, 2010). We agree with Salignac et al (2016) who suggest that financial exclusion is not only about the what (i.e., what products and services are accessible and appropriate) but also the how (i.e., how acceptable and available they are). Structural settings outside the individual's control can affect a person's financial capability and the appropriateness and acceptability of products and services available.

We also conclude that when talking about FE among vulnerable customers we should instead refer to financial discrimination, in line with Sarma (2012), Devlin *et al*. (2014) and Harper (2018). In general, vulnerable customers pay higher fees and receive lower-quality assistance, customer care and attention from their banks than other customers, and this situation makes them feel discontented and in a position of inferiority. Our results also agree with Lai (2016) because banking employees are strongly influenced by factors such as sales quotas, commissions and pressure from management, rather than interested in 'educating' clients on more comprehensive, responsible and disciplined financial planning.

Financial ecology of urban vulnerable consumers

The research suggests that the rationalisation of branch networks after the global financial crisis has not led to the creation of distinct financial inclusion or exclusion ecologies. Contrary to what was expected or found in other Anglo-American contexts (Coppock, 2013), access difficulties are not a critical problem for this collective in urban areas. They continue using bank branches, even though in some cases the physical distance has increased. Spain is still one of the most banked countries in the world, according to the World Bank (2020) and The Global Findex Database (Demirgüç-Kunt et al., 2020), despite the virtually extinction of regional banking (saving banks), which has been the social banking model of greatest incidence in territorial financial inclusion in Spain during the last decades. Therefore, access to branches is easier than in other countries, especially in urban areas. However, more overloaded branches are in urban districts characterized by a lower socioeconomic profile (Fernández-Olit, et al, 2019). It could explain the participants complains about the queues and waiting times, and the bad quality service received.

Despite the charge of higher rates and commissions, low-income customers still have access to basic bank products, such as accounts and credit cards. Indeed, some vulnerable customers had faced some restrictions on credit (personal or business) after they had suffered a work or personal shock. Contrary to other contexts (UK or US), just a few participants acknowledged having made use of fringe lenders, and most participants do not reveal to use of alternatives to conventional banks. The level of bancarization in Spain could therefore explain how difficult it is for social financial initiatives – microfinance - or other alternatives aimed at disadvantaged groups – fringe banking -, to take root in Spain. It suggests that in Spain financial inclusion has not been facilitated through engagement with alternative and diverse economic networks (Coppock, 2013).

Banks -often still perceived as 'cajas' (savings banks), – are seen by the low-income consumers as the preeminent actor for financial relations. At the same time, these customers are aware of the need to have a bank account for personal and collective well-being. Therefore, they feel that they are "trapped" banking consumers and generate a sense of resignation that prevents them from taking any initiative against suppliers and obtaining redress where the products are unsatisfactory (Cartwright, 2015).

Contrary to expectations (Marron 2013), financial digitization did not appear to be a relevant cause of difficulties for vulnerable consumers, although the restructuration and digitalization of the sector are still in progress. A third of the participants used digital banking services and those who were not familiarized had support to do that (partner, children, friends, etc.). However, the discourse analysis highlights the important role of the proximity-banking model. Vulnerable customers prefer physical access to branches to online banking channels, provided that this group demands personalized attention (Kempson et al. 2000).

Conclusions and policy implications

We can conclude by saying that new forms of financial precarity and financial vulnerability have emerged in the last decade (Henry *et al*. 2017) and are creating further challenges to policy makers that move beyond the binary conceptualizations of 'included' and 'excluded', banked' and 'unbanked', and the limited concept of 'physical inclusion'. As noted in this study, FE and financial discrimination go hand in hand in the case of vulnerable customers, and some actions need to be taken with no delay. The study provides evidence of the socio-spatial nature of the exclusion process and calls for further research on the role of policies responses to restrict abusive practices. We redefine the conclusion of Leyshon et al (2004): poorer neighborhoods constitute a distinctive financial ecology produced by the ‘discrimination’ of a significant number of their inhabitants in the use of mainstream financial services.

Some progress has been made with the implementation of the new regulatory framework aimed at protecting bank customer rights and enhancing banking transparency (MIFID II) although we consider that its application could be better adapted to vulnerable consumers who receive poor banking assistance and face use difficulties. This can be considered a step towards the more effective protection of any customer. Customers must be classified according to their financial knowledge, qualification and previous financial experience. On these grounds, we expect that MIFID II will prevent situations of bank abuse through the mis-selling of products that do not fit the customer’s needs or financial capacity. As outlined in this article, this is a crucial requirement for guaranteeing vulnerable consumer protection. Another financial milestone was the introduction of the Payment Accounts Directive (2014/92/EU) (European Union, 2014), which considers the right to a basic bank account and the specific needs of vulnerable customers in terms of costs, conditions and financial counselling. This measure would alleviate the more extreme degree of FE in the European Union. Nevertheless, most of vulnerable consumers in Spain already had previous access to banking accounts, not subject to this regulation as well as to the adequation of provision conditions. The Directive requires banks to offer independent financial education to vulnerable consumers which could be more effective if it is provided “just in time” and tied to a consumer’s decision or behaviour (Fernandes et al.,2014), as it is revealed in our focus groups.

We propose a closer relationship among the social sector, public institutions, and the banking industry in specific programmes related to financial literacy, microcredit, and saving products specifically tailored to vulnerable consumers and designed to cover their specific needs. Other initiatives aligned with the fair treatment of customers, such as the creation of the Financial Conduct Authority in the UK (FCA), can also help restore the empowerment of financial customers and avoid future scandals, banking reputational damage and fines. However, this independent financial authority must prevent and require from banks ethical selling practices and not only impose fines on some banks for mis-handling complaints embedding the principle of fair treatment of customers into routine practices. The conduct of Spanish or British retail banks reveal that while banks have withdrawn some products, as required by the regulator, they have continued mis-selling and carrying out predatory practices like cross-selling (often unsuitable) of financial products specially to vulnerable consumers. This evidence suggests that the principle of fair treatment is still not being adopted by banks (De la Cuesta-González et al, 2020).

Even though these regulations are changes in the right direction, there is still a long road ahead in terms of vulnerable customer protection. The responsibility for limiting undesirable banking practices that undermine the public utility of banking institutions for the whole society lies on regulators (Burton, 2018). If we consider banking services an essential product, we should consider placing public/universal service obligations on suppliers and demanding higher behavioural standards for the banking industry. According to Cartwright (2015) finding appropriate solutions for the case of vulnerable customers is extremely difficult and trade-offs are necessary. Some participants have called for a greater presence of community-based financial institutions, like the traditional saving banks, which had proved to be the social banking model of greatest incidence in territorial financial inclusion in several EU countries like Germany or France (Anderloni et al, 2008) in the last decades. In Spain it has been regarded as a model of bank proximity and the main financial providers for the less-favored collectives (Alamá and Tortosa-Ausina,2012). It would be highly interesting to explore in Spain the potential role of community-based organizations that are relevant in other national financial contexts. However, due to their corporate governance problems, the former model of saving banks should be redesigned or substituted. It would be also interesting to analyse the situation of vulnerable consumers in rural areas.

From recent experience, we believe that mandatory transparency and care policies are not enough because these are normally based on the assumption that consumers act rationally, which is questionable according to the behavioural economics literature (Hansen and Kysar 1999). As we observed in this study, vulnerable consumers are sometimes unaware of the information disclosed, do not appreciate its significance, or simply do not fully understand it (Scott and

Black, 2000). On these grounds, perception difficulties appear to be relevant, and cognitive characteristics can affect people's vulnerability and financial decisions. As lines of future research, we would like to introduce the psychological profile of vulnerable customers into the analysis to better assess the overall situation. In addition, it would be highly interesting to explore in Spain the potential role of community-based organizations that are reappearing in other national financial context in the relationship of vulnerable customers with financial institutions.

We hope that this broader perspectives will shed some light on the best course of action for both policy makers and bank managers.

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