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SFE Changing Customer Needs Report



Scottish
Financial
Enterprise

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SFE Changing Customer Needs Report



People’s financial needs, habits and behaviours are incredibly diverse in today’s digital world. With technology now integrated into every facet of our lives, the way we use financial services is changing dramatically.

This report provides an update on the steps being taken across Scotland’s financial and professional services industry to deliver better outcomes for customers, highlighting key initiatives, partnerships and shared ambitions which are driving the changes our customers want and expect. It also delves into the environment for firms in Scotland, exploring customer expectations and new regulatory requirements like Consumer Duty, with original research and insights highlighting the key external challenges and opportunities the industry is navigating.

Collaboration across the sector increased during 2025 with a range of initiatives to drive innovation, develop solutions and enable better outcomes for customers across Scotland. SFE’s own programme of activity under our strategic pillar, Changing Customer Needs (CCN), has provided a platform for collaboration and innovation. Scotland is well-placed to foster collaboration in this area, with a mature and well-connected financial services ecosystem and strong willingness to collaborate.

The 2025 SFE Vulnerable Customer Summit brought together the industry, regulators, charities and insights specialists for a day focused on improving how we support vulnerable customers in our communities.

Our Changing Customer Needs special interest group identified financial inclusion as being the key areas of focus of 2026, creating significant lasting impact for the future financial wellbeing of the Scottish population.

Sandy Begbie CBE FRSE
Chief Executive, Scottish Financial Enterprise



Collaboration across the sector ramped up during 2025 with a range of initiatives launched to drive innovation

Changing Customer Needs Timeline

- 2025 Changing Customer Needs Strategy Workshop – February 2025
- Standard Life Power of Attorney Research
- Next Gen Finance Project Overview From Efi and Young Scot – April 2025
- Vulnerable Customers Workshop – April 2025
- FCA and Changing Customer Needs Roundtable with Sarah Pritchard - May 2025
- Financial Inclusion Workshop with Nikhil Rathi – May 2025
- Vulnerable Customer Survey - September 2025
- Consumer Duty Survey – January 2026
- Establish the bank account in schools pilot project - coming June 2026

Ever since the launch of our Holding to Account Report, Citizens Advice Scotland (CAS) have highlighted that the ultimate form of financial exclusion is not having access to a bank account as well as wider challenges in banking access. By working with SFE and its members, we have been able to collaborate directly with financial institutions to develop innovative, pioneering and tangible solutions which tackle the preventative barriers we highlighted. Such partnership working has been a testament to the power of collaboration and demonstrates that when industry comes together with policymakers and other stakeholders such as ourselves at CAS, the success we can achieve can be astronomical. Long may it continue.

Sarah-Jayne Dunn
Policy Manager (Financial Health)
Citizens Advice Bureau



Consumer Duty

Two years on from its introduction, firms are still embedding Consumer Duty into their products and services. The industry continues to respond well to the regulations and sees the introduction of consumer duty as a positive move.

SFE conducted research with impacted members in October 2025 to understand how the Duty has been implemented and received across the industry. Respondents mainly came from the life and pensions, banking and building society sectors.

Consumer Duty is generally viewed as having a positive impact on both firms and their customers. Around 70% reported that the Duty has had a positive effect, while just under 30% indicated that it has had no material impact either way. A small minority (about 3%) felt the impact was somewhat negative, and no respondents reported a very negative effect.

This suggests that, while the Duty has not been transformative for all firms, it has driven meaningful improvements in areas such as governance, customer communications, and outcome testing for many organisations.

Overall, the sentiment reflects the principles of Consumer Duty, with most firms recognising its role in enhancing customer outcomes and strengthening internal practices.

In Scotland, we believe the financial services industry only truly excels when customers are at its heart. By leveraging our collective expertise to solve complex challenges, we are creating a fairer, more inclusive sector. Our focus for 2026 is clear: building trust through radical transparency and data-driven insights. Through the SFE Changing Customer Needs Group, we aren't just talking about change - we are delivering a tangible agenda that prioritises the lived experiences of our customers at every stage of their journey.



Emma Noble
Lloyds Banking Group's Scottish Executive Committee and Chair of the SFE Changing Customer Needs Group

PROGRESS AND CHALLENGES WITH CONSUMER DUTY



Strong progress:
87.5% of firms fully or almost fully compliant across open and closed products



Key challenges:
Pricing and outcomes testing remain hardest areas



MI upgrades:
A significant proportion of firms made major change, but 1/3 required minimal or no changes to their MI



Impact:
Mostly positive sentiment, but gaps persist

Financial Inclusion

Financial inclusion collaboration continues to be a key strength of the Scottish financial and professional services ecosystem. Going into 2026 this will continue to be a focus area with initiatives including the simplification of ID requirements, continued work to reduce the number of unbanked people in Scotland and greater collaboration between industry and third sector partners.

Going forward key areas of focus will be standing up an in-school banking pilot with the view to a wider roll out to ensure all school leavers have access to a bank account and, ultimately, reduce the number of unbanked. SFE will also be running its annual Vulnerable Customer summit later in the year.



VULNERABLE CUSTOMERS CASE STUDY: NATWEST GROUP'S FINANCIAL FOUNDATIONS

NatWest Group's Financial Foundations programme delivers free, impartial money guidance to adults across the UK, addressing rising financial vulnerability and the cost-of-living crisis. Initially created for young adults, it expanded in 2023 to support adults of all ages, aiming to boost financial wellbeing for 50,000 people in 2026.

The programme is delivered by trained colleagues, offering in-person workshops on managing money, building resilience, and fraud protection. This inclusive, community-focused approach—crucial in areas like Scotland where bank access is difficult—promotes human connection while ensuring accessibility. A key innovation involves empowering commercial clients to host sessions, supporting employee financial wellbeing. The workshops are free and open to all.

Impact to date is significant, reaching 32,000 adults in 2025. An independent evaluation found that 91% of participants would recommend the sessions, and 88% feel more confident managing their finances. Crucially, 82% plan to change their budgeting habits and 72% plan to save more, demonstrating the program's success in meeting evolving customer needs.



THE UNIVERSITY of EDINBURGH
Edinburgh Futures Institute

NEXT GEN FINANCE CASE STUDY: YOUNG SCOT AND EFI

In a landscape defined by economic volatility and a cost-of-living crisis, the partnership between Young Scot and the University of Edinburgh's Compassion in Financial Services Hub has never been more vital.

To capture a true picture of youth financial reality, the project employed a robust mixed-method approach, combining a survey of 305 young people aged 11–25, four in-depth co-design workshops across Scotland with 51 participants from diverse backgrounds, and expert interviews with 13 financial professionals.

Early findings reveal a startling 'trust gap' and a shift away from traditional institutions. While digital wallets are embraced for convenience, 12% of young people lack any kind of bank account. A disconnect with physical banking is also evident, with 39% of 11–13-year-olds having never entered a bank branch, often finding the prospect daunting. Meanwhile, financial behaviours are migrating to virtual worlds. The data shows that more 11–13-year-olds use in-game currencies (43%) than the 23% who use pocket money apps or savings accounts. Alarmingly, 55% of this younger age group explicitly trust gaming platforms with their money – a sentiment that drops to 36% among 17–19-year-olds as they become more risk-aware.

Beyond the digital disconnect, a profound reliance on family for advice highlights a lack of institutional support; young people feel 'nobody teaches us this stuff' and that the wider economic system is 'stacked against them'. Consequently, the young people we have worked with prioritise 'no jargon' communication, signalling a desperate need for clarity alongside 'fair access' and 'fraud protection'. In particular, fraud protection becomes increasingly important with age.

The message from Scotland's youth is clear: to build financial resilience, the sector must bridge the gap between digital fluency and institutional trust, moving beyond assumptions to co-design services with young people that are transparent, inclusive, and genuinely supportive.





VIRGIN MONEY CASE STUDY: LEADING THE CHARGE ON DIGITAL AND FINANCIAL INCLUSION IN SCOTLAND

Virgin Money is proactively addressing the intrinsically linked barriers of digital and financial exclusion in Scotland, driven by its 2025 report with WPI Economics. The bank became the UK's first to join the National Databank programme, distributing over 1,000 free 25GB SIM cards in Scotland to customers and non-customers since 2023, providing vital connectivity for those in need.

To ensure long-term change, the Virgin Money Foundation's Building Digital Skills Fund has awarded £1.3 million to Glasgow based organisations, which is expected to help over 13,000 people facing digital poverty. Product design is also inclusive, with Virgin Money's basic bank account (M Account) removing common access barriers by accepting non-standard ID.

The impact is tangible: vulnerable consumers have used Databank SIMs for essential job interviews, online hospital appointments and contacting loved ones. Separately, a £2,000 Virgin Money Foundation grant helped enhance digital literacy and independence for pupils at Craigdhu Primary School, including those with additional support needs.

Through combining this practical support with influential research, Virgin Money is creating a more inclusive financial future for all.



AEGON'S MYLO CASE STUDY: TRANSFORMING FINANCIAL WELLBEING THROUGH INCLUSIVE DESIGN

Aegon's Mylo is an innovative digital platform dedicated to making financial wellbeing accessible and fair, especially for vulnerable customers navigating stressful life events. Recognising that 41% of users feel overwhelmed by pensions, Mylo employs inclusive design, behavioural science, personalised journeys and jargon-free language to drive engagement.

A key feature, 'Find and Combine', developed with Raindrop, helps customers locate and consolidate lost pensions. It's already delivering meaningful impact, with 12% of users submitting a request and £79 million found in lost pensions.

Mylo recently launched its beneficiary tool, which has seen strong early engagement – with 20% of users having submitted a request. Notably, 86% of these had no previous nomination and 38% were submitted on the day of app registration.

Mylo also maintains a crucial human element, offering easy access to support from Aegon's Scotland-based team, bridging the gap between digital tools and customer trust.

The platform is succeeding in boosting financial confidence and engagement. Since its launch, Mylo has just over 100,000 registered users, with 42% of those opting in to marketing. Mylo's success demonstrates its commitment to meeting evolving customer needs across Scotland and the wider UK by prioritising accessibility and clarity.



STANDARD LIFE CENTRE FOR THE FUTURE OF RETIREMENT CASE STUDY: POWER OF ATTORNEY

The Standard Life Centre for the Future of Retirement published new research into awareness and understanding of Powers of Attorney (POA) across Scotland and the Great Britain to help encourage financial services firms to increase activity in this area. Awareness, understanding and likelihood of having an up-to-date POA in place is low, particularly for people under the age of 70. Across GB only 13% of adults say they know a lot about POA, with only 8% saying they have an up-to-date POA in place. 45% have never thought about putting one in place.

People in Scotland are, across the board, more informed and prepared when it comes to setting up a POA than their counterparts across the United Kingdom. 57% of Scots recognise the importance of having a POA compared to 46% across the Great Britain. However considerable work remains to be done to increase understanding and importance of Power of Attorney with the public, particularly with people in their 50s and 60s. The research found that whilst 59% of Scots aged 70+ said they have an up to date POA in place this dropped to 14% of Scots aged 50-69. The research also explored practical and emotional barriers that exist for people and identified a number of misconceptions, which need to be addressed in order to encourage more people to put POA in place, before they need it.

More information can be found here [How much do people understand about Power of Attorney?](#)





Next Steps

Financial Inclusion

- We will continue to work with our members and partners to improve financial inclusion in Scotland through our school leavers bank account pilot which will launch this year, with the overall aim of ensuring all children are connected to the financial system when leaving school.
- We will use our fourth vulnerable customer summit to focus on how we better harness innovation and data to support the most vulnerable in our society.

ID Charter for Scotland

- We will also explore how we make opening a bank account easier by exploring the use of Young Scot cards as proof of ID which will support those who do not have a passport or driving license.

Power of Attorney Simplification

- We will encourage cross sector collaboration to simplify Power of Attorney process in Scotland and encourage more Scottish people to appoint a POA.

Next Generation Finance

- We will support EFI and Young Scot's cross-industry project, helping to shape the next generation of products and services around the needs of the next generation.



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