

Economic Abuse and Life Insurance

Good practice for advisers



Personal
Finance
Society



Foreword

Millions of UK women had their lives devastated by an abusive current or ex-partner in the last year. We know that abusers are using every tool at their disposal, including insurance products and services, to cause economic harm. This guidance is much needed. It marks a real commitment from the financial services industry to identify and support economic abuse victim-survivors and start to close down opportunities for abusers to exploit products and services.

Public awareness and understanding of economic abuse have substantially increased since it was legally recognised as a form of domestic abuse in the Domestic Abuse Act 2021. Following this, the government identified the financial services sector as playing a key role in raising awareness of economic abuse and strengthening responses to it.

Since then, we have worked more closely with the sector to raise awareness of this insidious form of abuse and how abusers use financial services products and services to cause harm, often undisrupted and without consequence. We aim to ensure that firms have the understanding as well as the systems and processes in place to identify when a customer may be experiencing abuse, how to offer support, and put steps in place to prevent it from happening again.

Our work with UK Finance has led to the implementation of the Financial Abuse Code, which supports firms to better respond to customers experiencing economic abuse. We also work with the Financial Conduct Authority (FCA), which recognised domestic abuse and economic control as a driver of vulnerability. The FCA also introduced the Consumer Duty, setting a higher standard of consumer protection across financial services, with a particular emphasis on the treatment of vulnerable customers and acting to prevent causing foreseeable harm. With funding from the Aviva Foundation, we evidenced how abusers weaponise insurance products and services against victim-survivors to support the industry in transforming its response to economic abuse. Our research uncovered how abusers use insurance products to control and coerce victim-survivors, trapping them with the abuser where they are fearful for their lives. We found that abusers are misusing life insurance products, including by taking out policies in the victim-survivor's name without their knowledge or consent. With no mechanism to separate or cancel joint policies, this leaves victim-survivors at risk of serious harm. There are far too many tragic cases when perpetrators have used being a beneficiary of a victim's life insurance as an incentive to kill.

It's clear that economic abuse is intrinsically linked to physical safety and insurance products are currently being used as a tool to facilitate this abuse. That is why we call on the government to work with us and the sector to develop a mechanism to safely separate joint policies and change the law so that life insurance can only be taken out with the consent of the person insured. In the absence of these legal changes, there are several steps that firms can take to better protect customers, such as making single-life policies the default, providing specialist training on economic abuse for colleagues, and implementing a domestic abuse policy.

We are delighted that the Personal Finance Society supports these recommendations, and this guidance provides the first step for enabling victim-survivors to access financial freedom and safety.

We look forward to working with the sector to implement these recommendations and through its products, services, and customer support help stop economic abuse forever.

Sam Smethers, Interim CEO of Surviving Economic Abuse

Foreword

Those of us who work in financial services understand the importance of being in control of one's own finances, and, subsequently, know how devastating losing that control can be. I decided that I needed to do more to help clients who might be in vulnerable circumstances, after seeing a friend experience financial abuse and reading about the scale of the problem. A recent survey found that one in seven women have experienced economic abuse in the past 12 months*. This is shocking. I want to create a space where clients feel safe and empowered to be open, it's important that clients know that advisors will do what they can, using their expertise, to support them. I know there's a lot of great advisers who are doing this already and it's great to see so many firms raising awareness and giving this issue the focus it needs. I believe this is an issue where firms can have a valuable impact, and I would encourage everyone to look at the training and the resources available.

The aim of this good practice guide is to provide a starting point for advisers either looking to refresh their knowledge of economic abuse or to explore further how they can support clients experiencing economic abuse. The financial services profession has a crucial role to play in this and whilst we understand how to use financial tools to get the best for our clients, we should also be able to identify and avoid policies or products which perpetrators might use to facilitate economic abuse. I offer two examples of times I identified clients who were experiencing economic abuse, demonstrating how easily abusers can utilise policies and processes to manipulate victim-survivors.

The PFS's code of ethics requires members to act with the highest ethical standards and integrity. Members should always act in the best interests of each client and provide the highest standard of service. This extends to thinking about how to support potential victim-survivors of economic abuse as well as clients who are currently being subjected to economic abuse. Our members strive for excellence and incorporating this as a priority will help members to achieve this. Support should be considered for those currently experiencing economic abuse as well as minimising the risk of harm for those potentially vulnerable to experiencing economic abuse.

Our work was initially prompted by the charity Surviving Economic Abuse (SEA) and their report on life insurance and economic abuse. Abusing joint life insurance policies is just one form of economic abuse, which will have a devastating impact on victim-survivors' economic and physical safety. However, financial services and insurance sectors also have to address other ways abusers use their products and services to control or coerce victim survivors. Savings, investments, loans, mortgages and credit files are a range of products and services that abusers use to facilitate economic abuse. These forms of economic abuse have a lasting impact on victim-survivors and their ability to achieve economic freedom and stability.

The PFS will continue work to help raise awareness of economic abuse and advise on best practice for financial services professionals. This best practice guide is our first step working towards empowering advisers approaching this topic and we plan to issue further guidance on other types of abuse; such as elder abuse. We hope to issue subsequent guidance in the near future.

Carla Brown, President of the Personal Finance Society

* <https://www.ipsos.com/en-uk/almost-one-million-uk-women-who-experienced-economic-abuse-said-abuse-prevented-them-leaving>

Introduction

What is economic abuse?

Economic abuse is a legally recognised form of domestic abuse as defined in the Domestic Abuse Act 2021. It often occurs in the context of intimate partner violence and involves the control of a person's money and finances, as well as the things money can buy. Economic abuse can include exerting control over income, spending, bank accounts, bills and borrowing. Controlling access to and use of things like transport, technology, property and daily essentials would be versions of economic abuse. This type of abuse is a form of coercive and controlling behaviour, used to diminish victim-survivors ability to acquire, use or maintain economic resources, with the intention of reinforcing or creating economic instability.

Coercive or controlling behaviour is defined by the Home Office as “an intentional pattern of behaviour that occurs on two or more occasions, or which takes place over time, in order for one individual to exert power, control or coercion over another.” Economic abuse, can make it difficult to leave the abuser.

Economic abuse rarely happens in isolation and usually occurs alongside other forms of abuse, including physical, psychological and sexual abuse. Research reveals that 95% of domestic abuse cases involve economic abuse, with one in five women and one in seven men having experienced economic abuse*. This type of abuse is designed to create economic instability and/or make one partner economically dependent on the other, which limits their freedom. Without access to money and things money can buy, it is difficult to leave an abuser and access safety. In this way, economic abuse underpins physical safety, and without access to economic resources many victim survivors are trapped in a relationship with the abuser for longer, risking further harm.

The impact of economic abuse is devastating. Victim-survivors are often left with insurmountable debts, housing and job insecurity and a destroyed credit file. Experiencing economic abuse makes it harder for victim-survivors to flee and stay fled from the abuser. It doesn't require physical proximity to the victim-survivor and therefore can continue or even begin post separation, once the survivor has fled.

Abusers exert control over victim-survivors by restricting, exploiting or sabotaging their ability to acquire, use or maintain economic resources. An abuser may restrict how a victim survivor uses money and things that they own by checking receipts, dictating what can be bought, controlling how money is spent or keeping financial information a secret. A victim-survivors economic situation may be exploited by the abuser stealing money or property, refusing to contribute to household costs, misusing money in joint bank accounts or forcing a victim-survivor to take out loans. An abuser may sabotage a victim-survivor by preventing them from being in education or employment, limiting their working hours, or preventing them from claiming benefits.

The latest research from Surviving Economic Abuse shows the alarming extent of economic abuse on women in the UK**. The research found that one in seven women in the UK experienced economic abuse from a current or former partner within the last 12 months. That's 4.1 million women aged 18 or over in the past year. The prevalence is staggering. 1 in 9 women in the UK experienced at least one economically exploitative behaviours from a partner or ex-partner in the past 12 months. Whilst the figures only begin to describe the devastation and impact on the individuals, they serve to highlight how significant the problem is.

The financial services sector has a critical role to play in understanding how their products might be used by abusers and how to close down opportunities for abusers to carry out economic abuse.

* <https://webarchive.nationalarchives.gov.uk/ukgwa/20230902155321/https://www.fca.org.uk/insight/hidden-harm-financial-abuse>

** <https://survivingeconomicabuse.org/news/why-counting-the-number-of-uk-women-who-have-experienced-economic-abuse-matters-and-what-we-must-do-about-our-findings/>

Surviving Economic Abuse

Surviving Economic Abuse

Surviving Economic Abuse is the only UK based charity dedicated to raising awareness of economic abuse and transforming responses to it. SEA's overriding mission is to save lives and stop economic abuse.

Working with experts from across the financial services sector and experts by experience, with funding from the Aviva Foundation, SEA has published two briefing papers which highlights how insurance, and in particular, life insurance, can be used as a form of economic abuse. Links can be found below:

[*Insurance and Economic Abuse SEA & Aviva Foundation*](#)

[*Life Insurance briefing SEA 2023*](#)

This best practice guide will focus on SEA's most recent publication 'Life insurance and economic abuse' with the focus on raising awareness and understanding of how life insurance policies are used as a form of economic abuse and how best professionals, within the insurance industry, can respond.

The role of the financial services sector in response to economic abuse:

The financial services industry has a crucial role to play in recognising and responding to economic abuse. The statutory guidance which underpins the Domestic Abuse Act, recognises financial services as stakeholders for very first time. The Government's Tackling Domestic Abuse Plan also includes previously non-traditional stakeholders like banks and building societies, to sign up to the Financial Abuse Code, developed by UK Finance, to strengthen and respond to economic abuse.

In addition, the FCA's Consumer Duty now sets higher standards for consumer protection across the industry, requiring firms to put their consumers' needs first, with an emphasis on treatment of consumers with characteristics of vulnerability, who may be at a greater risk of harm. SEA produced a briefing paper on 'How the Consumer Duty can transform responses to economic abuse' with a particular focus on consumers who have or are currently experiencing economic abuse. Firms have been given a unique opportunity to consider how they identify, record, support and respond to economic abuse. With domestic, economic and financial abuse being recognised as a driver of vulnerability by the FCA, the financial services industry, including the insurance sector, has an important role to play in combatting economic abuse.

Life insurance and economic abuse

Life insurance has been identified as a product being exploited by abusers as a form of coercive and controlling behaviour, both during a relationship and after separation. This can have a lasting impact on victim-survivors which is why it's crucial to identify cases as early as possible and offer adequate support.

SEA revealed in their latest briefing paper that life insurance can be taken out by an abuser without the policyholder's (victim-survivor) consent or knowledge. It can then be used as a mechanism for coercion and control and in some cases, as incentive to kill for financial gain. Whilst life insurance should not be able to be taken out on an individual without their knowledge and consent, the reality is that this does occur and the impact on victim-survivors is devastating.

The inability to split joint life insurance policies upon separation without both parties' consent is another tool used by abusers to continue to control victim-survivors post separation. Abusers refuse to delink their joint life insurance policies or victim-survivors are forced to contact the abusers in order to seek their consent to make a change to the policy, putting them at risk. A joint policy can be chosen for good reasons by a couple; they can be generally cheaper than taking out two separate policies for the same level of cover. However, in cases of economic abuse, being unable to de-link a joint policy presents a range of risks for victim-survivors. It allows abusers another channel to contact or gain information about the victim-survivor, which can put them in danger post-separation. It also impacts a survivor's economic independence, by maintaining financial ties to the abuser the victim-survivors ability to regain control of their finances and make their own financial choices is reduced, and the risk of coercive and controlling behaviour is increased.

The use of life insurance policies to economically abuse victim-survivors needs to be addressed. Whilst most recommendations made by SEA in their briefing paper focus on policy and legal reform, insurance companies can play their part by encouraging single life cover and ensuring all advisers are aware of economic abuse, how to spot the signs and how to respond in line with the needs of victim-survivors.

Life insurance in trust abuse

Another concern amongst experts is that trusteeship can also be used as a tool to carry out economic abuse. Writing life insurance policies in trust is an important issue for most consumers. However, it involves handing over control over an individual's life insurance to the trustee/s. This decision can be difficult or impossible to reverse as not all insurance companies allow trustees to be removed by the policy owner. If an abuser coerces a victim-survivor into making them a trustee, this could be used as another mechanism for control and coercion.

The risk could potentially be mitigated by ensuring trusts have more than one trustee, e.g. one partner and two siblings. In this circumstance, even if the abuser cannot be removed, there would be a majority ruling process which would provide an opportunity to ensure the best interests of the policy owner are kept. However, the abuser would probably still remain on the trust, which could facilitate ongoing economic abuse and have a long-lasting impact on the victim-survivor.

If an abuser refuses to have themselves removed, the only option may be for the victim-survivor to cancel the policy. This wrongfully places the onus on the victim-survivor and may mean they need to obtain new cover which often will be on less favourable terms and might even be impossible if the individual's circumstances have changed significantly (e.g. due to ill health).

Beneficiary nomination is another aspect of life insurance which could facilitate economic abuse. At present, a policy owner can change their beneficiaries by calling their insurance company and filling out a form. Abusers may coerce or force a victim survivor into completing this or may fraudulently fill out the form on behalf of the victim-survivor, naming themselves as beneficiary.

Whilst it is up to insurance companies to look at how to allow for the removal of a trustee with greater ease from their life insurance products, financial advisers should bear the above in mind when advising a client on life insurance trusts. They can look out for clients in vulnerable circumstances, explain the risks when necessary and monitor changes in policy over time. The adviser can ask questions to understand their client's situation and trustees, and in some cases, should encourage multiple trustees (not just the partner's family).

Example Cases - Lived experience of victim-survivors

Life insurance after divorcing an abusive ex-partner

One victim-survivor shared her challenges in accessing the benefits of joint life insurance following a diagnosis of terminal cancer. Despite being separated from the abuser for many years and disclosing her experience of domestic abuse to the life insurance company, they would not pay out without both parties' consent. Abusers can use this as a mechanism of post-separation abuse, by refusing to grant access to vital benefits of life insurance. The impact of this form of economic abuse on the victim survivor can be profound, denying them vital support needed.

When clients are going through the divorce process, this is the time to make sure policies are being looked at and discussed. Clients need to understand what policies they might need to separate whilst divorcing their partners, with help from their lawyers.

Death in service grant set up in a trust was wrongfully allocated to the abusive ex-partner

A victim survivor, who previously worked as a teacher and was a member of a local authority pension scheme, named her children as beneficiaries in the event of her death. Her two children, aged 10 and 13, would receive 50% each of the scheme's death grant should it be necessary. Upon the unfortunate passing of the victim-survivor, the trustees of her scheme would only pay the money to the children's father, who had been an abusive ex-partner, due to the children's age.

An adviser could consider whether their client could take an early terminal illness benefit upfront and therefore, make sure it went to the children as per the client's wishes.

Systemic Change

In the current absence of necessary legal reform, there are a number of steps firms can currently take to proactively amend their practices, policies and procedures, as well as focusing on raising awareness of economic abuse. SEA advocates for mechanisms to be put in place so that;

- 1) Joint policies can be cancelled or replaced with individual policies. In the case of replacing a joint policy to a single policy, it must be on the same or more competitive terms. This would go a long way to reduce the risk of life insurance being used as a tool to abuse.
- 2) Firms encourage single over joint life policies highlighting the benefits in doing so and small cost differences.
- 3) Firms should prevent one party from taking out joint life insurance policies without the explicit consent of the other named party on the policy. For example, by establishing standard processes for gaining the consent of all insured persons and ensuring they can access information about the policy they are insured by. Trusts are only be set up with a minimum of three trustees, who all are made aware of their responsibilities.
- 4) Trusts are only be set up with a minimum of three trustees, who all are made aware of their responsibilities.
- 5) Firms develop domestic abuse policies that are clearly displayed on their website so that victim-survivors feel supported by their insurer.
- 6) Advisors are supported by domestic abuse training, with specific reference to how abusers use insurance products and services as a tool for economic abuse.
- 7) Firms undergo regular monitoring, this could include mystery shopping to check the quality of sales processes and call handing, with a focus on the fair treatment of vulnerable customers.

Whilst these systemic changes will take time and require a significant amount of support from a range of stakeholders, the PFS agrees that there is more that can be done by advisers in the interim to help this work succeed. There is a responsibility for advisers to do their utmost to minimise the risk of economic abuse and offer a supportive response to current cases of economic abuse.

Recommendations

Financial advisers play a key role in supporting vulnerable customers, particularly at the point of advising and selecting life insurance policies and providers. Advisers can proactively seek out single life policies, and seek adjustments to policies, which would reduce the likelihood of that policy being used to exploit.

For organisations

Consumer vulnerability should be an organisational focus and a priority for all organisations. Three key elements in an effective approach to vulnerability are: leadership, training and systems. Here are some recommendations to implement at organisational level:

- Organisations should create an overarching policy on vulnerability, which includes a specific policy about domestic including economic abuse and safeguarding.
- Organisations should ensure staff are fully trained to identify when domestic abuse is happening and offer support and signposting in safe and trauma-informed way following identification or disclosure.
- Systems should be in place to allow organisations to retain information responsibly and confidently, minimising the need for survivors to retell their story.
- Organisations should ensure there are robust security features in place to ensure survivors information is kept confidential and not disclosed to any third party.
- Organisations should never suggest a victim-survivor contacts the abuser, in any circumstances and should carefully consider the risk of harm to the victim- survivor in any interactions it has with the abuser.

It is vital that organisations prioritise consumer vulnerability, not least in terms of compliance, but in achieving good outcomes and minimising the risk of additional harm.

For advisers

Ask questions of providers

Although advisers work within the boundaries of the policies which providers set, there is often a close working relationship between the two. Advisers should feel comfortable asking questions of providers about terms in their contracts, while promoting the interests of victim-survivors of economic abuse. Providers do not want to create potentially harmful policies, helping them understand how to spot the signs of economic abuse will help them respond and minimise harm.

These questions will likely focus on new products and not legacy products, keeping an eye out for changes in the law or best practice which might allow for more flexibility.

Recommendations

For advisers

Raise Awareness

An important action an adviser can take is to be aware of the issue of economic abuse and understand how life insurance can be used as a tool for abuse.

There are a lot of resources available. The SEA report is a great place to start, alongside a wealth of information on their website; it is worth keeping up to date with their work.

In 2021, UK Finance updated their Financial Abuse Code which was created to increase understanding amongst firms of financial abuse and how to spot it. This Code sets out principles for the banking sector to follow, however these principles should be adopted throughout the financial services industry.

The code sets out key skills that advisors should demonstrate

- Ability to understand the definition of domestic and economic abuse (as per the Domestic Abuse Act 2021) and the role that financial services play as set out by the government's Tackling Domestic Abuse Plan
- Displaying empathy, with the skills and knowledge appropriate to their role to provide support to victim survivors of economic or financial abuse.
- Ability to recognise potential signs of domestic abuse and effects of financial and economic abuse and other drivers of vulnerability
- Ability to encourage disclosure so to respond appropriately and safely
- Awareness of support options, any referral process, access to specialist team / or experienced colleagues, or relevant consumer information*
- Ability to inform the victim-survivor of any products held with the organisation whilst supporting victim-survivors to gain control and separate finances where it is possible to do so
- Ability to work with victim-survivors to ensure security and accessing financial information in a safe way

Colleagues giving financial advice should demonstrate empathy, understand forms of abuse, encourage disclosure and be aware of support options, as well as ensuring victim-survivors have access to the financial information necessary, in a safe way.

Firms should consider working with charities, like SEA, to train colleagues and raise awareness. SEA can also support in the development of policies and procedures to ensure firms are supporting victim-survivors in the right way.

* https://www.ukfinance.org.uk/system/files/2022-12/Financial-Abuse-Code-2021_Updated_2022.pdf

Recommendations

For advisers

Creating a good environment and sharing information

Communicate with customers about economic abuse in a way that raises awareness and reduces stigma on the issue, creating an environment where victim-survivors feel comfortable disclosing abuse. Advisers can share external information available on what support is accessible.

Have information about economic and financial abuse clearly displayed on your website, on the potential abuse of policies on your website and highlight ways you avoid policies which put people at risk, giving victim-survivors confidence that you understand their situation. It would also help to have a range of disclosure options, including by phone, online, or email as well as in person.

Considerations when supporting clients choose life insurance products

Advisers should consider how they can help improve the overall situation when working for clients on life insurance policies.

Some would argue that the default option for life insurance should be a single life policy, so two single life policies if it were for a couple. There are good arguments for why this would be better, as seen earlier in this guidance*. There are, of course, benefits to joint life insurance policies, and an adviser will ideally fully understand their client's needs in order to advise on which is most appropriate. When making that decision, an adviser should consider the potential vulnerability of the policy should their client's circumstances change.

When choosing insurance products for clients, check that the products have mechanisms for joint policies to be cancelled or replaced with individual policies to reduce the risk of harm to the victim-survivor of economic abuse. Advisers should identify and explain to clients the products terms and conditions and how they enable one party to end life insurance policies over their own life or convert them to their own life policy.

Confirming all parties' consent to a policy being set up in their name should be standard practice. If not already doing so, adjustments should be made to ensure all parties are able to access the policy information before providing consent.

* <https://ciexpert.uk/singleisbest/>

Recommendations

How to spot signs of economic abuse

There will often be signs from vulnerable customers that advisers can look out for, and spotting these noticeable signs early on could make a real difference. If only one person attends a meeting on behalf of the couple, why is that? Making complete certain that policies are set up with both parties' consent is essential. There are screening tools available which can help advisers identify those who need help. There will be triggers which advisers can look out for, such as if a client were to suggest that they do not have access to a bank account.

Businesses should introduce and maintain policies which empower their staff to handle cases. The most prepared firms will have safeguarding policies and processes in place to support colleagues in handling these calls, as well as specialist domestic abuse teams who have received enhanced training. If safe to do so, these can be talked through with the client or, and only if there is no risk of an abusive partner being able to find these materials, can be handed to them to keep.

Firms can have policies and processes in place to support victim-survivors, including for safeguarding and broader economic support. Setting up a specialist team should be considered. Advisers should have training before asking questions about abuse and handling disclosures. Encouraging colleagues in the sector to consider what they might do to support vulnerable clients and combat economic abuse will likely save victims, and at least build trust and goodwill in the financial community.

Using Trusts

Consider setting up life insurance on a single life basis, placed in Trust where appropriate with a minimum of three trustees appointed. Trustees should be made aware of their duties and responsibilities, including economic abuse awareness.

Understand the individual circumstances and act accordingly. Always aim for a broad range of trustees, being aware of how to mitigate the impact if one of those trustees were to become an abuser.

Further training and resources

There are resources available to help with issues around raising potentially difficult issues and making them relevant to individual clients. SEA provides a lot of helpful advice on talking to customers about economic abuse and we highly recommend reading more on their website:

<https://survivingeconomicabuse.org/im-supporting-someone/resources-for-professionals/talking-to-customers-about-economic-abuse/>

https://survivingeconomicabuse.org/im-supporting-someone/resources-for-professionals/checklist-for-insurers/#Insurance_and_domestic_abuse

Recommendations

Further training and resources continued

Understanding if a customer or someone you are working with is experiencing economic abuse can also be particularly difficult to ascertain. Together with SEA, the government launched an interactive tool for businesses to help them check for signs of economic abuse:

<https://www.tax.service.gov.uk/guidance/check-for-signs-economic-abuse/start/about-this-guidance>

SEA offer **bespoke training and consultancy** packages on economic abuse and have trained a wide variety of professionals to build capacity in recognising and supporting victim-survivors. Training for advisers is recommended, enabling advisers to gain the skills and confidence to respond appropriately to cases of economic abuse. SEA offers a course specifically tailored for those working in financial services in either customer-facing roles or wider teams who have a responsibility for customer vulnerability. SEA also offers consultancy packages that can support your organisation to respond to economic abuse. If you are interested in finding out more, please visit:

<https://survivingeconomicabuse.org/training/>

