

# UNDERSTANDING CLIENTS' NEEDS IN 2021

A REPORT BY MFS



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**After the tumultuous year that was 2020, investors, businesses, and consumers are hoping the coming 12 months will be a year of positive transition and change.**

Amidst the challenges faced, it has been positive to see the success of certain industries and sectors adapting to the “new normal”. The property market remains a standout performer of the wider economy, and this has been partly fuelled by specialist lenders stepping up and offering market access to leading finance products.

Encouragingly, it looks as though the end of the COVID-19 pandemic could be in sight. Vaccines are being rolled out across the country and the government is eager to ease lockdown measures by the summer. Regardless of what could transpire over the coming months, one thing is certain – the needs of customers and clients have been forever changed as a direct result of the coronavirus. For this reason, financial firms must do everything within their power to understand, appreciate and support the evolving demands of the market.

Research by Market Financial Solutions (MFS) in September 2020 revealed the full extent of these changes. Having commissioned a survey to uncover the overall success of the Stamp Duty Land Tax (SDLT) holiday, MFS found that a third (32%) of prospective homebuyers had been denied a mortgage when seeking to take advantage of the holiday. Moreover, 46% of those who had bought a property in 2020 said that they encountered significant delays or complications when applying for a mortgage.

This report assesses the quality of service that has been delivered by financial providers during the preceding 12 months. Based on a survey of 975 UK-based investors (those with assets valued over £10,000 excluding any primary residential property they might own), the report reveals the common obstacles investors are facing at the moment when dealing with providers. At the same time, the report also reveals how COVID-19 has compelled investors to look beyond the high street and consider alternative finance solutions that are better-placed to meet their needs.

**At the beginning of the year, MFS asked a sample of 975 UK investors about the quality of service delivered by their financial services providers during the COVID-19 pandemic.**

**We found the following:**

**34%**

of investors said the qualities they look for a financial services provider have changed as a result of COVID-19

**25%**

have switched financial services providers in the past 12 months due to the poor service they received

**40%**

feel banks are taking longer to respond to requests since the beginning of the pandemic

**35%**

have lost confidence in the ability of their bank to assist with their financial goals

**65%**

fear COVID-19 has made banks over-reliant on technology when providing customer services

**61%**

prefer face-to-face interactions over digital interactions when engaging with a financial services provider

# CLIENTS FEEL LET DOWN BY THEIR PROVIDERS



Since the beginning of the first lockdown, investors have been actively looking to their service providers to offer them the support and guidance needed to effectively manage their finances. In some instances, smaller and specialist firms have proven more agile and responsive than their larger counterparts.

Unlike mortgage providers and big banks, MFS was one of many specialist lenders ready to adapt to the sudden change in circumstances. We ensured the necessary processes were in place so that our clients and brokers could still enjoy access to specialist finance products to complete on property transactions. Based on the effectiveness of our response, MFS noticed an increase in enquiries from property investors who were being let down by their mainstream mortgage providers and high street banks.

**The general frustration towards big financial institutions seems to have become a common experience for many. Based on MFS' latest research we found that:**

**40%**

investors said their banks have been taking longer to respond to requests since the beginning of the pandemic. This has contributed to a loss in confidence towards their providers

**35%**

of investors told MFS that they have lost confidence in the ability of their bank to assist with their financial goals

**25%**

of investors admitted that they have switched financial services providers in the past 12 months due to the poor service they received

These are concerning findings. The inability of some providers to ensure that the same high standards of customer service are being maintained has resulted in investors looking to alternatives.

Clearly, the experiences of investors have been mixed. What's more, it looks as though the preferences of investors are also changing. According to MFS' research, a third (34%) said the qualities they look for in a financial services provider is different to what it was before the pandemic.

"The financial services industry has become somewhat complacent in recent years, and this particularly rings true for the large organisations. Rather than showing the innovation and creativity on display by smaller firms, big banks have continued to rely on traditional and rigid practices. COVID-19 caught many off-guard, and nearly 12 months after the beginning of the first lockdown, it is evident that many are still struggling to meet the needs of their clients. If they do not adapt to the 'new normal', we could see a significant number of investors switching to alternative service providers."



Paresh Raja,  
CEO of Market Financial Solutions

# TECHNOLOGY SHOULD ENHANCE CUSTOMER SERVICES, NOT REPLACE IT



**To adapt to the lockdown, the majority of financial services firms have adopted new digital tools to improve client engagement and outreach.**

In certain situations, this has meant that companies can act more efficiently and quickly, reactively responding to enquiries without the need for physical meetings. Again, this transition has proved difficult for big financial institutions that have come to rely on legacy IT systems.

The digitalisation of customer communication channels has always been a topic of discussion within the financial services industry. COVID-19 has naturally accelerated this transition, with companies using existing technology systems to engage with their various networks and better manage their client relationships. However, MFS' research also revealed that some companies are over-relying on technology when engaging with their clients. In some instances, this is in fact undermining relationships by facilitating an impersonal experience.

When questioned on this point, 65% of investors told MFS that they felt COVID-19 has made banks over-reliant on technology. When asked about their preferred forms of communication, 61% of investors said they still prefer face-to-face interactions over digital interactions when engaging with a financial services provider.

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“While it is indeed useful having access to the latest IT systems, it cannot overshadow the importance of delivering tailored, personalised services. Technology should be seen as a way of enhancing client communication, not replacing it. Based on what we are seeing at MFS, I believe brokers and investors are placing more emphasis on personal and tailored engagement – clearly they want to use lenders who can provide this high standard of service, even when faced with a pandemic.”

Paresh Raja, CEO of Market Financial Solutions

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# LOOKING BEYOND THE HIGH STREET TO ALTERNATIVES

COVID-19 has encouraged investors to consider alternative finance providers beyond the high street. MFS research found that:

33%

of investors engaged with an alternative finance provider in 2020

25%

plan on using an alternative finance product in 2021

61%

feel they lack sufficient knowledge of alternative finance products to consider using them

MFS' research shows that when it comes to customer service and client engagement, some financial service providers have struggled to adapt to the conditions brought on by the pandemic. While it is likely that many pre-pandemic practices such as face-to-face meetings will return once social distancing is lifted, new processes are likely to remain in place.

Based on their experiences, investors are clearly open to considering alternatives to the high street. Asked about whether they had considered alternative finance, 33% of investors said they had engaged with an alternative finance provider in the past 12 months. Looking to the rest of the year, a quarter (25%) said they planned on using alternative finance products in 2021.

This is a trend that is set to continue, particularly when it comes to the deployment of finance to support property transactions. Brokers and investors want to engage with lenders who can deploy specialist loans quickly, backed by a team of experts with a proven track record for delivering creative loan solutions.

With banks taking longer to deploy mortgages and the chances of a loan being rejected still high, there has been a rise in demand for bespoke loans. For this reason, MFS recorded its strongest November on record – deploying £45 million worth of bridging loans during the second lockdown in November. The Association of Short-Term Lenders (ASTL) also noted that applications for bridging loans hit their highest ever level in Q3 2020, with completions rising by more than 40%.

However, there is still a sizeable knowledge gap when it comes to general awareness of alternative finance products. Three in five (61%) investors openly admitted that they lacked the understanding needed to properly consider using alternative finance. To overcome this knowledge gap, brokers must ensure that they are aware of specialist finance products and key market players. Not only will this improve general investor awareness of specialist finance, it will also guarantee that they are in a position to advise on the most suitable products available for their clients.

“Looking to the future, I anticipate demand for specialist finance to grow from buyers who want to quickly complete on a transaction with confidence. After all, property investors want to work with lenders who understand their needs and provide constructive solutions that work to the advantage of all those involved. This is something that many investors feel are not being provided by mainstream institutions at the moment.

“Based on the performance of specialist finance lenders during the pandemic, the sector’s ability to adapt to the ‘new normal’ and address the interests of their clients has been impressive. Rather than retreating from the market, they used these challenges as an opportunity to improve their services and products, and this is clearly being noticed by investors and brokers alike.

“That’s why I anticipate demand for alternative finance to only increase in the coming months.”



Paresh Raja,  
CEO of Market Financial Solutions



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