

Tapping into Social Media, without Fear, in Financial Services

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Social Media provides all industries with an easily accessible tool to build brand awareness, establish and strengthen their client relationships and, naturally target potential new clients. When well managed, it can provide a low-cost tool that can be used across the company to consolidate brand messages and create a pool of data that can direct strategy.

In this article, we highlight four areas where a financial services company must ensure that all teams are aware of the potential legal risks at play when using social media. We recommend that strategies be implemented to address these issues, not just within a standalone policy but also integrated within individual policies in each relevant area. Social media is no longer the sole concern of the marketing team but, can and, will be used by other parts of the business on a regular basis.

1. Customer Privacy

At the centre of compliance for all financial services companies is the need to protect the customer's data. This includes the manner in which that data is collected. Remembering that social media will not provide an adequate method for collecting the consent of customers to retain t

heir data, it is important to ensure that data can be collected about your customers from these platforms, their interests, family members, activities etc., which a company might want to utilise to target for particular products including travel loans and credit cards. We note that issues arising from misuse of

consumer data that has been obtained from social media sites has often triggered negative PR for various industries, and the potential for this element of negativity cannot be underestimated in the sensitive area of financial services. This activity should be considered carefully and contained (at the very least) within a privacy policy with employees also understanding the boundaries that a company might wish to place around the collection and use of this data.

2. Promoting Particular Services

The advertising of all bank products remains subject to the usual rules of engagement; disclosures that would be required in a newspaper advertisement for a loan product must still be contained within social media posts for the same product. The tendency of social media to be less formal in style can allow employees to feel that social media posts do not need to contain all the required disclosure wording. This could not be further from the truth. Advertising on social media is a call to action to a consumer and must be just as compliant with the law as it would be in any other form of media. This means addressing the concerns under the consumer protection laws, the content and media standards as well as any financial services compliance regulations.

3. Reputational Risk

Financial sector companies suffer from the same fear as other industries in approaching social media; whilst feedback is always good for a business, public facing feedback can be tricky to manage a well-crafted complaint post can quickly become viral. Having a clear policy on the management of social media posts that includes the way in which replies are handled (and when, if ever, posts are removed) is vital. The value of firm-wide training cannot be underestimated.

4. Regulatory Compliance

From a regulatory perspective, it is also important that claims that might have legal ramifications (e.g., errors in accounts, misleading conduct, data breaches) are identified quickly and transferred seamlessly to the appropriate channels. For this, we recommend utilising trained and experienced compliance professionals or installing appropriate monitoring software. It is important to be aware that a third party social media agency will not have the skills to identify these risks, and may need assistance to spot them.

When things go wrong in social media, it is generally due to a failure of process, systems or training. We recommend that all companies undertake a critical assessment of these stress points so that issues can be eliminated or addressed early on and in an efficient manner. That way, the enormous, positive benefits that social media can offer a company in the financial services sector can be explored and exploited to their true potential.

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