

Mindful Friction: Building trust through the disclosure process

Humbli whitepaper

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Executive Summary

How many of us truly understand the fine print of our home loans, credit cards or insurance policies? And how many of us trust the providers of those products?

Trust in the Australian finance sector has stagnated in the years following the 2018 Royal Commission. Customers have felt little improvement in their banking relationships in the intervening years, and traditional product disclosure methods are viewed by regulators as an insufficient method of consumer protection in a rapidly evolving digital economy.

However, building trust at the contract stage of a digital customer journey is not only possible, but uniquely so. As lenders and insurers race to create frictionless, seamless customer experiences, they may be overlooking a crucial insight: ***the right kind of friction can build trust and loyalty between consumers and companies.***

Humbli sees a compelling case for embedding “mindful friction” into the disclosure process, creating an empowering touchpoint while preserving the precision of contracts and agreements. To that end, we’ve developed ***Dynamic Disclosure***, which transforms static disclosure documents into a proactive, accessible, and meaningful customer experience, setting the foundation for a relationship based on trust and transparency.

We’re excited to outline a new approach to consumer empowerment, and the benefits for customers and customer-centric organisations. If you’re curious, read on.



A crisis of trust: Why disclosure alone is **not enough**

During the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, a report published by Deloitte (2018) indicated a “crisis of trust” concerning the banking sector and the regulatory environment surrounding it.

According to the survey of over 2,000 Australians:

- Only 21% believed that banks in general had their customers’ best interests at heart
- 49% trusted their bank to keep its promises
- 32% believed that regulators were doing a good job holding banks to account

Deloitte’s primary recommendations to restore trust with customers centred on openness, transparency, and honesty. And it would seem that accurate, comprehensive disclosure documents are a step in the right direction.

But is it even possible for disclosure—in its current form—to meet the expectations of regulators and consumers?

A crisis of trust: Why disclosure alone is not enough

Shortly after the Royal Commission, the Australian Securities and Investments Commission and the Dutch Authority for the Financial Markets issued a joint report stating that while disclosure is necessary, it's an insufficient method of consumer protection (ASIC & AFM, 2019).

Through their case studies they make some compelling arguments:

“Disclosure does not solve the complexity in financial services markets.”

Financial products and services are inherently complex, and playing a game without understanding the rules is not a strong predictor of success.

“One size does not fit all.”

People are different, time pressure differs from person to person, environments and distribution channels differ as well. One document cannot fulfil its purpose equally well in such a wide range of contexts.

“Disclosure must compete for consumer attention.”

Disclosure documents contain content that may seem irrelevant to customers, or apply to a niche situation, lowering its perceived value. Moreover, marketing and advertising communication is typically more attention-grabbing than disclosure documents.

“Disclosure can backfire in unexpected ways.”

The messaging used in disclosure document can influence perception and potentially lead to negative customer outcomes. As an example, we encourage you to read the case study in the report regarding minimum repayment amounts for credit cards.

Disclosure continues to serve as the main instrument of communicating product information to customers, and most banks, lenders and insurers use more or less the same format. This may help us understand why a recent research paper from Publicis Sapient (2024) found that 70% of Australians believe that their relationship with the bank has not changed since the Royal Commission.

However, the disclosure touchpoint still serves as an opportunity to educate and empower customers – and build trust – in a way that cannot be replicated at any other stage in the customer journey.

Disclosure as a trust-forming moment

Humbli's model for consumer empowerment explains how brief, actionable learning experiences at key moments in the customer journey can build trust and brand loyalty (Humbli, 2024).

Few moments in the customer journey are as important as the contract stage, which makes it a powerful opportunity to establish the foundations for a long and mutually beneficial customer relationship.

By using digital learning principles to address the shortcomings of disclosure, organisations can demonstrate their commitment to transparency and customer education. This has been shown to build customers' self-efficacy, improve their confidence in their choices, and increase trust in their service provider (Antonios, 2011).

Here are a few examples of how these principles can be applied:



Preparatory Content

Straightforward learning experiences shared alongside terms and conditions help customers understand the key concepts they'll need to engage fully with those documents.



Interactive Disclosure Documents

Interactivity grants the customer a sense of autonomy and personal agency, as they can peruse documents and information in the way that best suits them.



Layered Summaries

Digestible, high-level insights with the options to explore further details ensure consumers receive relevant insights without feeling overwhelmed.



Knowledge Checks

Quick check-ins that confirm understanding can boost customers' confidence and trust in both themselves and their provider.



Personalised Insights and Experiences

Customising disclosure experiences to reflect individual needs can meet the needs of diverse audiences and allow organisations to develop a broader customer base.

As efficacious as these principles are, would they not create their own barriers in the process? Might customers see this as a form of “friction”, which they don't like, and must surely be removed at every stage in the customer journey?

Throwing the baby out with the bathwater: Why “friction” is not a dirty word

The finance sector has evolved from a very high-touch industry to an incredibly low-touch industry in less than a generation.

For instance, when a home loan application process is automated, applicants no longer need to sit in front of a lending manager to make their case, and much of the paperwork and waiting is eliminated.

This makes things more convenient and efficient, but it creates a new problem: it also removes the lending manager, who ***builds the relationship with the customer and helps them understand the product.***

74% of customers still expect personalised service when they need to understand their products and make informed decisions (Publicis Sapient, 2024). This may explain, in part, why the population of brokers has increased by 29% since the 2018 Royal Commission (MFAA, 2018, 2024): ***A broker fills this need and forms the relationship with the customer instead.***

When this need is left unfulfilled, it can be highly damaging to the customer. AFCA (2024) reported a record number of complaints in the 2023-24 financial year, with 1 in 10 complaints arising from scams.

As banks responded to the threat of scams with technology and customer education, complaints reduced significantly in Q4, which indicates that a lack of digital or financial literacy was exacerbating the impact of scams.

As humans, we need ***information, time and assistance*** to comprehend the situations we face in life. The time we're given in financial transactions has substantially shrunk in recent years, and the information we need is often opaque and overwhelming.

How can trust exist in such an environment? By assisting the customer through the use of mindful friction.

What is mindful friction?

Mindful friction involves creating **time and space for customers to understand their commitment, while making that commitment easier to comprehend.**

Doing so creates a moment of meaning-making, where clarity can emerge and trust can be formed, while reducing risk and meeting regulatory requirements.

UK FCA creating time and space

High-risk investments come with serious financial consequences, but investors often click through warnings without fully processing them. To address this, the UK Financial Conduct Authority has experimented with several ways to encourage investors to approach their decisions more mindfully (Hayes et al, 2022).

Friction points were introduced into investment platforms at key purchasing points: investors had to check boxes confirming they understood key risks (“I understand I could lose all my money”), manually type the amount they were prepared to lose, and navigate layered warnings, including an “Are you sure?” screen with prominent risk messaging.

The researchers conducting the experiments found that by pausing the action and giving customers time and space to think, they could increase risk awareness and decision confidence in customers while reducing the likelihood of impulsive, uninformed investments.

University of WA making comprehension easier

In 2020, a team of legal researchers and artists at the University of Western Australia developed Comic Book Contracts, which present contracts using visual storytelling, weaving key terms and obligations into accessible, easy-to-understand illustrated narratives.

These contracts meet customer where they are, making complex concepts more digestible and engaging while retaining full legal enforceability (UWA, 2020).

This research has led to comic-style employment contracts, consumer agreements, and tenancy arrangements, transforming a typically frustrating experience into a moment of clarity and empowerment.

Dynamic Disclosure:

Humbli's expression of mindful friction

By taking inspiration from examples such as those we've just described, and applying our model for consumer empowerment, Humbli has developed a platform that applies mindful friction to boost the value of the disclosure process.

Loan terms and conditions are highly important documents that are rarely read and even more rarely understood. **Dynamic Disclosure** allows lenders to package their terms and conditions within a dedicated learning environment, with bespoke content based on the lender and their loan products.

This is mindful friction in practice: customers receive time to stop and think, while consuming information that has been made easier to understand and use. This applies our existing work in InsightBridging*, which has been shown to improve not only understanding, but application of knowledge (Humbli, 2024).

Upon receiving their loan contract, customers first review a suite of InsightBridges that help the customer understand the content and the importance of their terms and conditions. A scannable overlay highlights key points in the loan terms and conditions to enhance comprehension and gives organisations insight into the details that customers spend the most (and least) time working through.

Applying Dynamic Disclosure to insurance policies, rental agreements and superannuation disclosures can make a range of contracts more transparent, and help customers make informed decisions with greater confidence.

*For more on InsightBridging, see Humbli's whitepaper, Customer empowerment: Self-efficacy and the power of the moment (2024).

What's next: Innovating beyond compliance

Disclosure is a key moment in any customer interaction—an opportunity for genuine consumer empowerment. By prioritising comprehension and engagement, forward-thinking companies can foster a culture of informed decision-making that benefits both consumers and providers.

Mindful friction shows promise in not only empowering customers to make better decisions but also as a tool to reframe digital customer touchpoints. Looking ahead, we're excited to explore new avenues where mindful friction can make a difference.

Broad Horizons: How do we apply mindful friction models such as *Dynamic Disclosure* across different regulatory environments and industries?

Cross-Disciplinary Practices: Can concepts from gaming, e-learning, and entertainment be applied to transform traditionally dull moments into engaging experiences?

Predictive Insights: How can mindful friction help organisations anticipate future consumer concerns, making interactions more proactive and helpful?

Deepen Integration with Consumer Journeys: What role can mindful friction play in onboarding, renewals, and customer support?

Behavioural Science in Action: How do different techniques influence consumer confidence and improve long-term decision-making?

Measuring Impact: What are the best ways to evaluate whether mindful friction is empowering consumers without creating unnecessary frustration?

Ethical Considerations: How do we ensure friction is designed responsibly—helping consumers without feeling manipulative or obstructive?

Scaling Effectively: How can businesses implement mindful friction at scale while maintaining a personalised, customer-first approach?

As we continue exploring these questions, the challenge will be striking the right balance—ensuring that consumer empowerment experiences enhance understanding, support better choices, and ultimately build stronger, more transparent relationships between consumers and providers.

About Humbli

From the very beginning, our mission has been to empower organisations of all sizes to build stronger, more meaningful connections with their customers. We believe that by integrating learning into the customer journey, we can transform every interaction into an opportunity for growth and trust.

Today, we work with a diverse range of companies, both within Australia and internationally, to enhance customer engagement and retention through innovative learning experiences.

As Humbli has grown, so has our team. We've brought together experts in education, consumer psychology, CX and UX design, and AI, all committed to pushing the boundaries of what's possible.

Our appetite for innovation keeps us at the forefront of industry trends, developing new ways to enrich the customer experience and help businesses respond more effectively to their customers' evolving needs.

For questions or enquiries, please contact us at hello@humbli.com.au.

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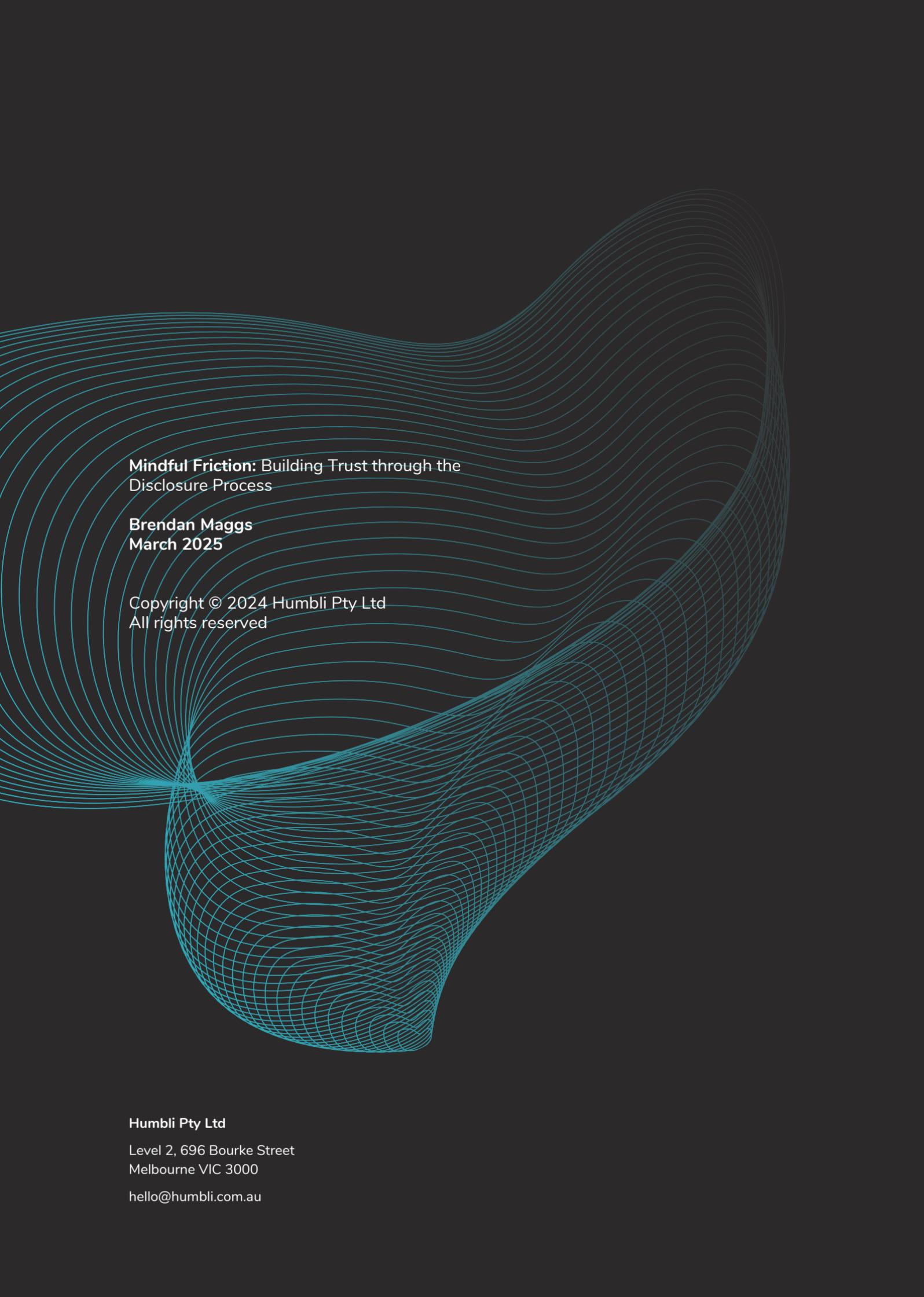
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The background of the page is a dark grey color. Overlaid on this is a large, abstract graphic composed of numerous thin, teal-colored lines. These lines are arranged in a series of concentric, wavy patterns that create a sense of movement and depth, resembling a stylized wave or a series of overlapping loops. The lines are most dense in the lower right quadrant and become more sparse towards the top left.

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