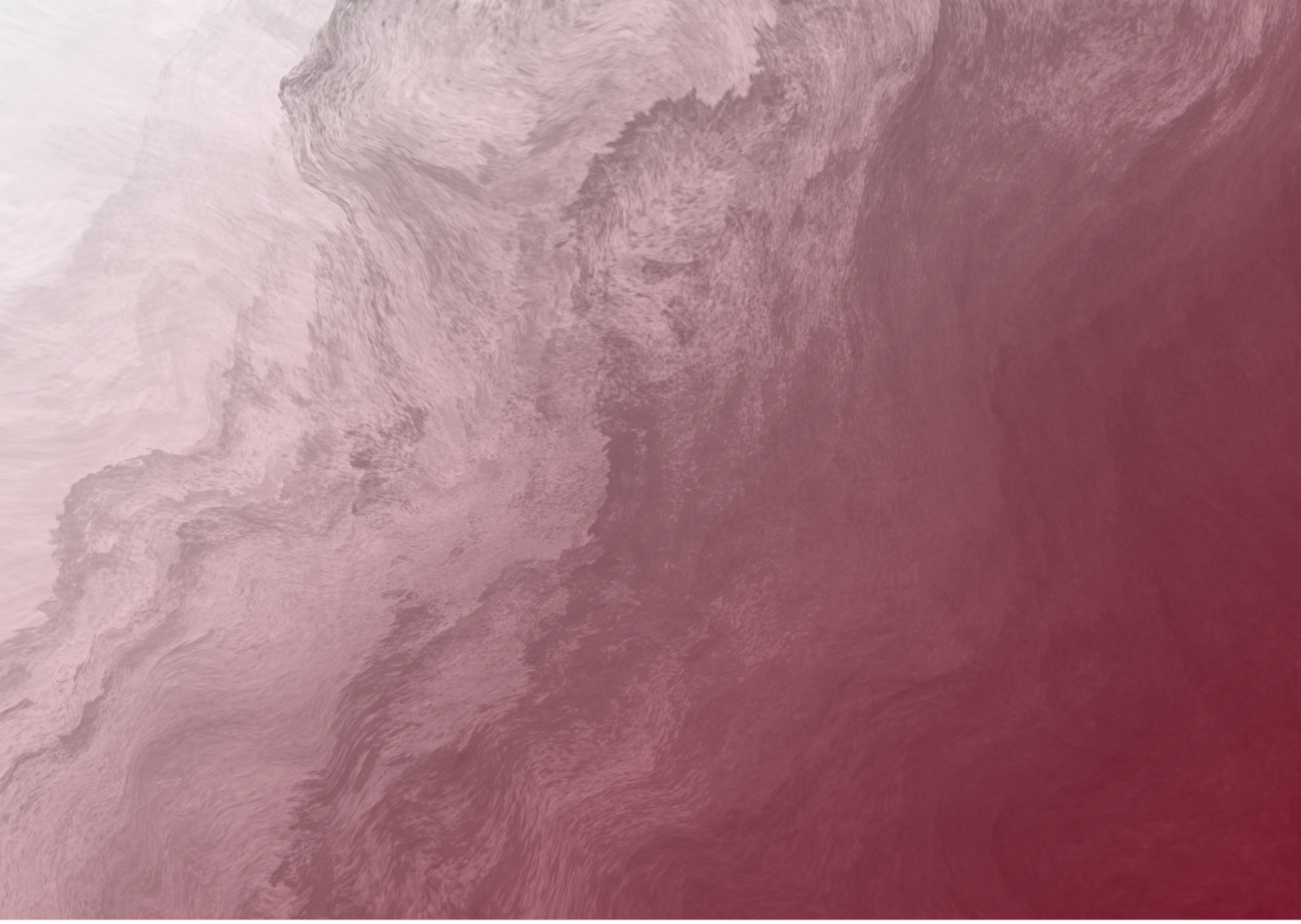

A GUIDE TO VULNERABILITY

YOUR GUIDE TO UNDERSTANDING THE IMPORTANCE OF TREATING CUSTOMERS FAIRLY

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INTRODUCTION

The FCA defines a vulnerable customer as someone who, due to their personal circumstances, is especially susceptible to harm. This could be anyone who may be less able than others to:

- Realistically and objectively identify and prioritise their own needs
- Fully understand the risk, cost or implications of any advice provided

THE IMPORTANCE OF TREATING CUSTOMERS FAIRLY

By understanding the potential harm that customers may be susceptible to, financial advisers can ensure that customers in vulnerable circumstances receive the same fair treatment and outcomes as other customers.

Customers in vulnerable circumstances can be at risk of not making the best decision for their particular needs, for example, because they're not in the right state of mind to make important decisions.

They may be more likely to be easily influenced or to accept advice without consideration to its suitability.

IDENTIFYING VULNERABILITY

Life circumstances can increase our vulnerability, meaning that every person is at risk of becoming vulnerable. For example, a relationship breakdown or bereavement may lead to further vulnerability such as mental ill-health or low financial resilience.

Levels of vulnerability can change during people's lives and heightened periods of vulnerability can be short (for example, a hospital stay) or long term.

Vulnerability is therefore not as simple as classifying someone as 'vulnerable' or 'not vulnerable' and should be considered, instead, as a spectrum of risk.

This risk may be increased however, by having certain key characteristics which might include poor health, experiencing negative life events, low financial resilience or low capability, such as poor literacy or numeracy skills.

Having such characteristics does not mean that people will suffer harm, but it may limit their ability to make reasonable or rational decisions and can put them at greater risk of accepting the wrong advice.

OTHER SIGNS OF VULNERABILITY

Other signs of vulnerability may include:

- Extreme moods – both high and low
- Poor concentration and difficulty in making a decision
- A sense of feeling overwhelmed
- Being tearful or emotional

SUPPORTING VULNERABILITY

An ethical and empathetic financial adviser will do everything in their power to support vulnerable customers in the following areas:

UNDERSTANDING NEEDS

By understanding the nature and scale of characteristics of vulnerability, a good financial adviser will be able to identify the potential disadvantages and types of harm these customers may be vulnerable to and should be able to obtain relevant information from clients in an appropriate and sensitive way.

HAVING SKILLED AND CAPABLE STAFF

The whole workforce should be educated on vulnerability and understand how their role could affect the fair treatment of customers.

Staff should also have the necessary skills and training to identify and respond to vulnerability and be offered support within the workforce to help them deal with vulnerable customers.

Clients should have the option of having someone attend meetings with them, and their adviser should be experienced in dealing with similarly vulnerable clients.

TAKING PRACTICAL ACTION

Customer service should respond flexibly and systems and processes should be in place to support vulnerability. How vulnerable customers are communicated with should be considered. For example, where clients are uncomfortable using computers and electronic devices, it is important that they can be communicated with in a different way.

More time may need to be allocated for meetings and meeting locations might be better suited to an office, a customer's home, or elsewhere.

MONITORING AND ASSESSING

Financial advisers should monitor and evaluate how they deal with vulnerable customers to assess where and how improvements can be made. Client files should be reviewed to ensure they were treated fairly and to check for any errors.

A good financial advisory firm has a duty of care to protect their vulnerable clients and recognises the importance of dealing with them appropriately, fairly and consistently.

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