

This document is for investment professionals only and should not be relied upon by private investors.

Ensuring the fair treatment of vulnerable customers

Protecting vulnerable customers, who may be at greater risk of harm if things go wrong, is a key priority for the FCA. Accordingly, this guidance wants to drive improvements in their treatment so that vulnerable customers experience outcomes that are as good as those for other customers.

To help ensure vulnerable customers are treated fairly, the regulator has issued finalised guidance which sets out their requirements of firms. In essence, the FCA wants to ensure vulnerability is taken seriously by firms and that they embed the fair treatment of vulnerable customers into their culture, policies and processes through the whole customer journey.

A high-level summary of what will be expected of firms appears on pages 3-4, although firms should read the [full text of the FCA's paper](#) to see how they may be affected.

Firms may also wish to read the [FCA's Financial Lives 2020 survey: the impact of coronavirus](#), which looks at the experiences of vulnerable customers and shows both positive and negative examples.

A high-level summary of the FCA's Finalised Guidance FG21/1

Who is a vulnerable customer?

"Someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care."

27.7m The number of UK adults who display one or more of the characteristics of being vulnerable

53% The percentage of UK adults who show signs of vulnerability

Source: FCA, Financial Lives 2020 survey: the impact of coronavirus

Adviser Solutions



What makes someone vulnerable?

Firms should understand what characteristics of vulnerability are likely to be present in their target market or customer base. For example, if your firm has an older customer base, common characteristics of vulnerability may fall under health and life events. Not all customers with characteristics of vulnerability will be vulnerable, but they may be more likely to have additional or different needs which, if not met by firms, could limit their ability to make decisions or to represent their own interests.

Health

- Physical disability
- Severe or long-term illness
- Hearing or visual impairment
- Mental health condition or disability
- Addiction
- Low mental capacity or cognitive impairment

Life events

- Retirement
- Bereavement
- Income shock
- Relationship breakdown
- Domestic abuse (including economic control)
- Caring responsibilities
- Other circumstances that affect people's experience of financial services (such as leaving care, migration or seeking asylum, human trafficking or modern slavery, convictions)

Resilience

- Inadequate (outgoings exceed income) or erratic income
- Over indebtedness
- Low savings
- Low emotional resilience

Capability

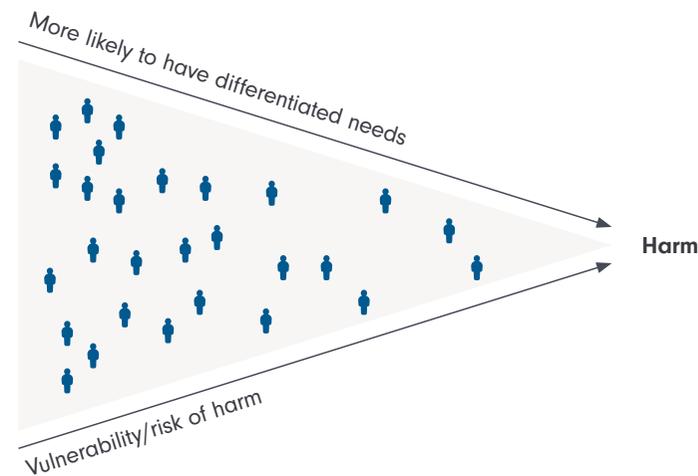
- Low knowledge or confidence in managing finances
- Poor literacy or numeracy skills
- Low English language skills
- Poor or non-existent digital skills
- Learning difficulties
- No or low access to help or support

Please note this is not an exhaustive list. Customers may not want the label 'vulnerable' applied to them and so the FCA suggest that firms do not use this label in their interactions with them.

The spectrum of vulnerability

All customers are at risk of becoming vulnerable, particularly if they display one or more characteristic of vulnerability. Customers to the left of the spectrum shown here are less likely to be vulnerable and therefore face a lower risk of harm than those on the right of the spectrum, where risk of harm is more acute.

Customers to the right are more likely to have different needs to those on the left. Firms need to take particular care to ensure they meet the needs of customers at the greatest risk of harm.



Summary of the guidance

The guidance falls into the following areas:

■ Understanding the needs of vulnerable customers

The needs of vulnerable customers in a firm’s target market or customer base are likely to vary and will often require additional measures to ensure good outcomes. It is important for all firms to understand the needs of vulnerable customers. If they do not, they may not be able to ensure their staff have the right skills and capability or take appropriate practical action. This may result in gaps in the provision of suitable services and products and lead to poor outcomes for vulnerable customers.

■ Skills and capability of staff

It is important for firms to recognise the role that staff play in meeting the needs of vulnerable customers. These customers are more likely to suffer harm when staff do not understand how vulnerability is relevant to their role, or if frontline staff do not have the skills and capability to recognise and respond to their needs.

Firms should ensure that all relevant staff have the appropriate skills and capability, as well as support from appropriate systems and processes, to understand and take into account the needs of vulnerable customers in their work.

■ Taking practical action

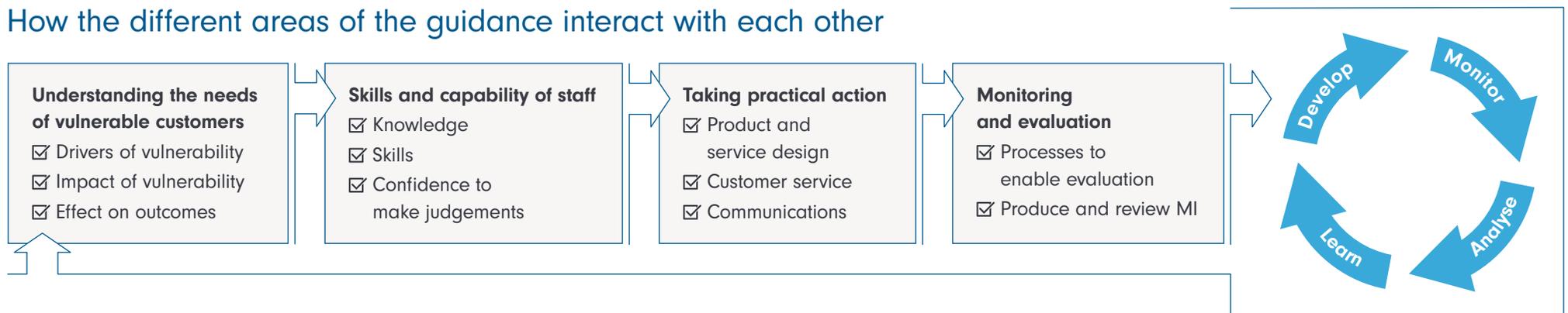
Firms should turn their understanding of vulnerable customers in their target market or customer base into practical action to meet their needs.

- Product and service design: where firms design products and services that don’t consider the needs of vulnerable customers in their target market, there is a risk that these customers can suffer harm as their needs may not be met from the start.
- Customer service: vulnerable customers are more likely to have different service needs and may, for example, find certain communication channels challenging or stressful or need more time to understand information and make decisions.
- Communication: failure to communicate with vulnerable customers in ways they can understand may result in an increased risk of harm. Customers may not be able to understand the information they are sent or may struggle to communicate their needs to firms.

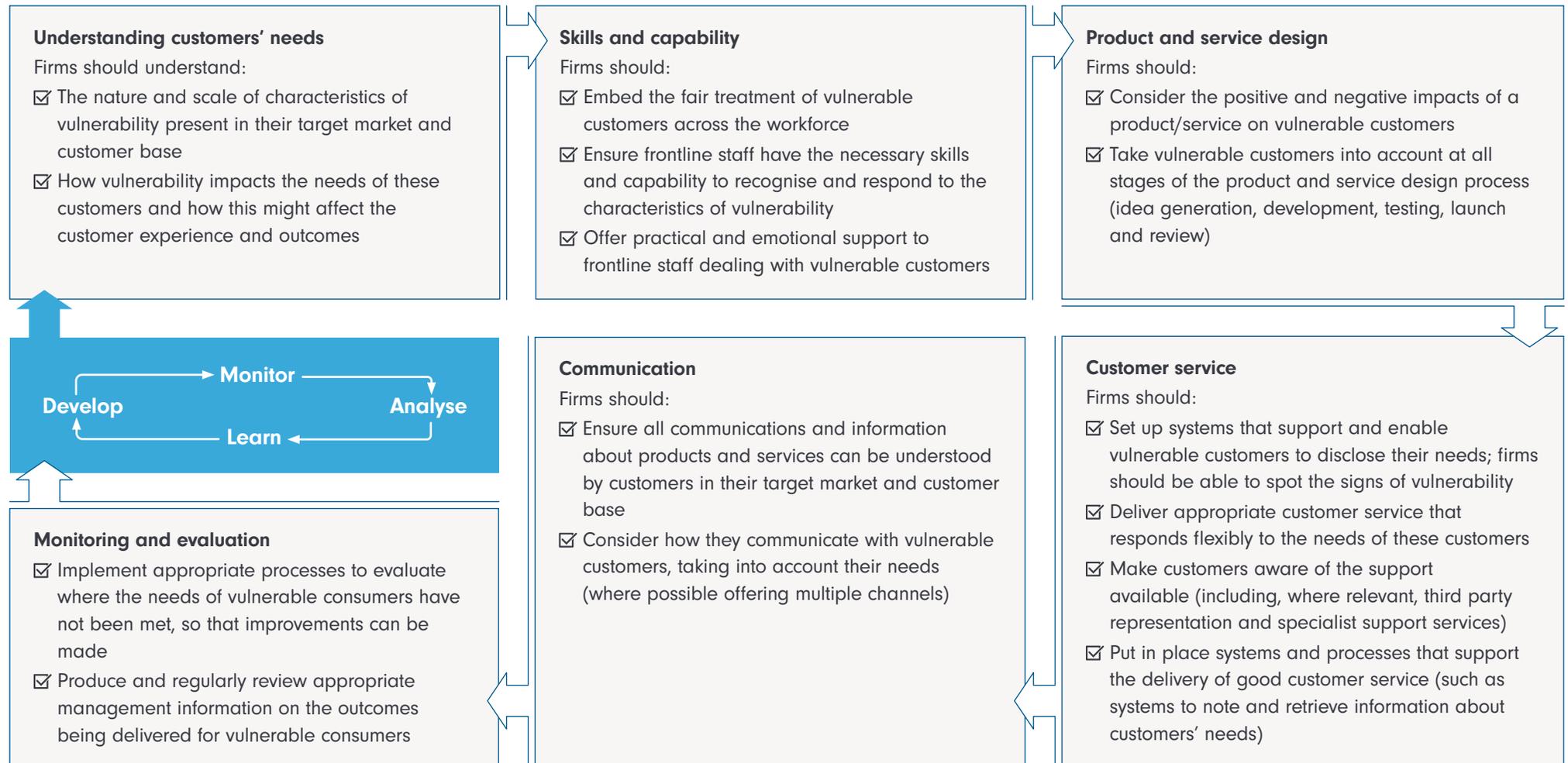
■ Monitoring and evaluation

Firms should monitor the actions they are taking to ensure they treat vulnerable customers fairly and the outcomes vulnerable customers experience in comparison to other customers. Monitoring in this way will allow firms to determine whether they are achieving good outcomes for vulnerable customers and understand which activities and processes work well, and which ones need to be adapted to improve the outcomes for vulnerable customers.

How the different areas of the guidance interact with each other



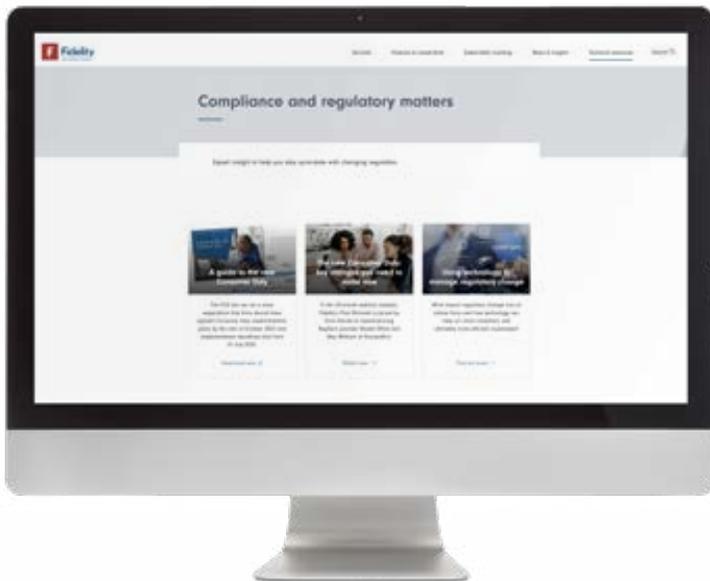
The guidance: firms should...



More in-depth guidance - including examples of good and poor practice - is available within the [FCA Finalised Guidance FG21/1](#)

Important information

This document provides information and is only intended to provide an overview of the current law in this area and does not constitute financial advice, tax advice or legal advice, or provide any recommendations. This document represents a summary of our understanding of the relevant regulations at the date of its last review (June 2023). Regulations and guidance are often subject to change and may change in future. Individuals should check that rules and regulations have not changed.



For more insights and analysis relating to compliance and regulation, please visit fidelityadvisersolutions.co.uk/compliance

Adviser Solutions

