Supporting clients in vulnerable circumstances

For financial advisers

Succeeding together

7IM

Capital at risk

This guide is provided for information purposes only and should be considered alongside your firm's own policies, procedures and regulatory obligations. For professional advisers only. 7IM considers that the obligation to provide appropriate advice and explain the risks inherent in the portfolios falls to advisers. In particular they should ensure that retail clients are aware, before investing, that the value of investments may fall as well as rise and that they may lose money by investing; that the portfolios are not suitable for those unable to take a long-term view and that their personal circumstances, objectives and capacity for loss are vital factors when considering investment.

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The Financial Conduct Authority (FCA) defines a vulnerable customer as: *someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care.*

It is important to note that some customers' circumstances may put them at greater risk of harm than others.

7IM is a signatory to the Consumer Duty Alliance, reinforcing our commitment to delivering good outcomes for clients. Through the Alliance, we support the work of the Financial Vulnerability Taskforce (FVT), which promotes good practice to help firms better understand and support clients who may need additional care or support at different times.

Introduction

Why it is important

Identifying a client in a vulnerable circumstance is a very important part of understanding the needs of that client - vulnerability can affect anyone at any time and can take different forms which can be obvious or hidden, permanent or temporary in nature. Vulnerability is referred to as a fluid state that requires a flexible and tailored response.

Consumers may experience actual or potential vulnerability due to a range of personal circumstances or characteristics. These factors can increase the risk of harm for clients who may generally be less able to advance their own interests, particularly where there are poor market practices or inadequate treatment by a financial services provider.

Actual vulnerability refers to situations where a consumer is currently experiencing difficulties that may impact their ability to make informed decisions or engage effectively (for example, due to ill health, bereavement or financial stress).

Potential vulnerability may arise where certain characteristics or life circumstances increase the likelihood of harm, even if there is no immediate impact. In both cases, vulnerability can be temporary or short-term, but for some consumers, it may be ongoing or long-term, requiring sustained consideration and support.

Regulatory considerations for financial advisers

The FCA's Consumer Duty emphasises the responsibility of firms to prioritise their customers' interests, deliver transparent information and provide products that meet the needs of the intended audience. This framework also compels financial firms to proactively identify and address the needs of clients in vulnerable circumstances in a more consistent manner.

To achieve good outcomes for clients in vulnerable circumstances, the FCA expects[1] firms should take action to:

- understand the needs of their target market/ customer base
- make sure staff have the right skills and capability to recognise and respond to the needs of clients in vulnerable circumstances
- respond to customer needs throughout product design, flexible customer service provision and communications
- monitor and assess whether they are meeting and responding to the needs of customers with characteristics of vulnerability, and make improvements where this is not happening.

[1] FG21/1: Guidance for firms on the fair treatment of vulnerable clients, 2021

Identifying vulnerability

In many cases, clients will not want the label "vulnerable" applied to them. Instead, we must consider a client to be in a vulnerable circumstance.

Drivers of vulnerability

The FCA identifies four key drivers of vulnerability that can make customers more susceptible to harm when engaging with financial services. These are:

01 Health, which includes physical or mental conditions that affect decision-making or daily functioning;

02 Life events, such as bereavement, job loss, or relationship breakdown, which can create temporary vulnerability;

03 Resilience, referring to a person's ability to cope with financial or emotional shocks, often linked to low savings or unstable income; and

04 Capability, which covers limited financial literacy, poor digital skills, or low confidence in managing money.

Each driver represents a factor that can impair a customer's ability to understand, decide, or act effectively in financial matters and examples for each driver can be found in the table below:

Health	Life Events	Resilence	Capability
Physical disability	Retirement	Inadequate (outgoings exceed income) or erratic income	Low knowledge or confidence in managing finances
Severe or long-term illness	Bereavement	Over-indebtedness	Poor literacy or numeracy skills
Hearing or visual impairment	Income shock	Low savings	Poor English language skills
Mental health condition or disability	Relationship breakdown	Low emotional resilience	Poor or non-existent digital skills
Addiction	Domestic abuse (including economic control)		Learning difficulties
Low mental capacity or cognitive disability	Caring responsibilities		No or low access to help or support
	Other circumstances that affect people's experience of financial services, e.g. leaving care, migration or seeking asylum, human trafficking or modern slavery, convictions		

Triggers

Signs that may indicate vulnerability include but are not limited to:

- Confusion and agitation
- "I can't/ I'm having difficulty"...understanding
- Out of the ordinary requests for large sum payments
- Request for urgent transfers/payments
- Multiple requests for the same information
- Repetitive questioning
- Conflicting answers to questions
- Lack of awareness of own finances
- Being unable to action the steps to complete a process
- Repeat phone calls or visits.

Recording vulnerability

Step 1 - Consent

- Obtain consent to record personal sensitive data

Step 2 - Internal vulnerable client register

Log the client on your internal vulnerable client register

- Add the vulnerability flag/status
- Ensure that you have captured the vulnerability status and you have logged the client's circumstances as vulnerable, in accordance with your firm's internal policy
- Ensure this is logged in line with GDPR and your firm's data protection policy.

Step 3 - Record the client on external platforms and other parties

- If consent has been given, you should notify or update linked systems so other parties (e.g. third-party platforms) can provide appropriate support.

Reminder: to register all clients in vulnerable circumstances on the 7IM platform in the Client Details section.

You can register a client as vulnerable on the 7IM platform in the Client Details section on the platform.

Also, you can alert us to any circumstance or change to a vulnerable client by speaking to our Platform Service Team. Please provide 7IM with details as to the reason the client is deemed to be in vulnerable circumstances and any agreed accommodations. This can be done via the Platform or by emailing us.

How to ask clients about their vulnerabilities

IDEA drill

The IDEA protocol can be used by staff to help structure and manage more in-depth conversations, ask the right questions, and identify relevant information once a particular vulnerability has been identified.

I	Impact	Staff should ask what the condition/ circumstance either stops the customer doing in relation to their financial situation, or what it makes harder for them to do. This will help provide insight into both the severity of the condition, and its consequences.
D	Duration	Staff should discuss how long the customer has been living with the reported condition or circumstance, as the duration of different conditions will vary. This can inform decisions about the amount of time someone needs to be given to retake control of their situation.
E	Episodes	Some people will experience more than one episode of a condition in their lives. Firms will need to take such fluctuating conditions into account in their decision making.
A	Assistance	Firms should consider whether the customer has been able to get any care, help, support or treatment for their condition.

Source: **https://www.fca.org.uk/publication/occasional-papers/occasional-paper-8-practitioners-pack.pdf**

How to handle vulnerability disclosures

TEXAS drill

The TEXAS drill is a practical protocol that guides frontline staff in handling vulnerability disclosures confidently, safely and effectively during initial conversations with clients regarding a vulnerable circumstance.

T	Thank	**Thank them (what they have told you could be useful for everyone involved)** "Thanks for telling me, I appreciate you telling me what's going on as it will help us deal with your account better."
E	Explain	**Explain how their information will be used** "Let me just explain how we'll use that information, so you know."
X	eXplicit consent	**Ask the individual for their permission/explicit consent to use their information in this way.** "I would like to note this down on our records so that those who deal with your accounts understand your tailored needs. Is that ok with you?"
A	Ask	**Ask key questions (these will help you understand the situation better)** "Have you found your condition/situation affecting the way in which you manage your finances? If so, how?"
S	Signpost	**Signpost to internal or external help (where this is appropriate). At this point, staff might:** • need to internally refer the individual to a specialist team/staff member in their organisation • external signposting to an organisation "Based on what you've told me, here are the ways we can support you…" (e.g. breathing space, communication preferences, liaising with financial adviser, escalation to specialist team)

Other related resources

- Bereavement process: **https://www.7im.co.uk/bereavement-process**
- Fraud prevention: **https://www.7im.co.uk/fraud-prevention**
- Supporting our clients: **https://www.7im.co.uk/supporting-our-clients**

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