



Customers In Vulnerable Circumstances Policy

AIM OF THIS POLICY

The aim of this policy is to outline the practice and procedures for staff to contribute to the prevention of detriment to clients who find themselves in vulnerable circumstances.

The policy covers all staff within the firm, and in particular, those operating in areas that deal directly with customers.

DEFINITION OF VULNERABILITY

The Financial Conduct Authority (FCA) has developed the following definition to guide work in this area:

“A vulnerable consumer to be someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care.”

Vulnerability occurs in a variety of ways which may be permanent, temporary, or even sporadic, dependent on its nature. In many circumstances the individual may not recognise themselves as ‘vulnerable’.

We recognise that vulnerability may not be simply due to the situation of the consumer but caused or aggravated by the actions or processes of the firms they may deal with.

We recognise that clients who might be considered as being in vulnerable circumstances could include clients with:

1. mental capacity deficiencies (including language or communication), including mental illness and dementia;
2. stress or subject to financial shock of all types, such as employment concerns, bereavement (or potential bereavement), marital or relationship difficulties;
3. a physical impairment that may not allow them to engage with automated, or other standard process requirements (such as photographic ID, phone key pad recognition, or internet applications);
4. severe and long-term illness (both life-limiting and where recovery is expected);
5. little or no financial experience or have no access to mainstream financial services;
6. low income;
7. an existing distressed financial situation;
8. responsibilities for others, such as ‘carers’ or acting as power of attorney;
9. no access to the internet or other digital media;
10. poor language skills.
11. a general vulnerability due to being aged 75 and over or aged 18 years and under

As a firm, we must remain mindful of the potential for enquiry by these clients and the potential for any change of circumstance in respect of existing customers.

IDENTIFICATION OF CLIENTS IN VULNERABLE CIRCUMSTANCES

Vulnerability is broad and may occur at any time. It will usually involve the interplay of characteristics of the individual, their circumstances, and static or transitory status.

We only deal with customers in vulnerable circumstances where we are aware of their needs:

1. mental capacity deficiencies – the FCA provides clear guidance on the identification of mental capacity limitation issues in their Handbook.
2. stress or financial shock – may be identifiable (facial expression, posture or stance etc.), but otherwise may be revealed through conversation before and during interview
3. physical impairment – may be identified visually, or through interview
4. severe and long-term illness – may be identifiable through conversation or through interview
5. financial inexperience – may be identified through the Factfind process and their credit profile
6. low income – may be identified through interview and credit profile
7. in financial distress – may be identified through interview and credit profile
8. carers – may be identified through interview or conversation
9. digital exclusion – identifiable through interview or via routes of engagement (or non-engagement) with the firm
10. poor language skills – may be audible or identifiable via routes of engagement with firm
11. clients aged 75 and over or clients aged 18 years and under – should be offered the opportunity to have a relative or friend accompany the client to a meeting

The nature of the need area to be addressed may also indicate vulnerability. For example, people wanting to arrange:

- Excessive monetary withdrawals from investments
- Advice relating to inherited assets

There may be other areas in which we do not provide advice, and which would indicate vulnerability, and in these instances, we will refer the consumer to a 3rd party specialist:

- An equity release product
- Right-to-buy
- A first-time buyer mortgage
- Debt consolidation or further credit
- Debt management
- The provision of long-term care

These could be some indicators of vulnerability but this is not designed as an exhaustive list. In the circumstances that apply to our firm we will apply additional safeguards, as appropriate, to ensure fair treatment. This will apply to each individual but, where we identify groups of people with the same characteristics, we may establish a process aligned to the needs and circumstances of that group.

We have outlined, in [Appendix I](#), the vulnerabilities we expect to be present in our target market and customer base.

ASSESSMENT AND MANAGEMENT OF RISK

Just because somebody is vulnerable does not automatically mean that they are unsuitable for the advice and services our firm supplies. As soon as we think we may be engaging with a vulnerable consumer, we will make a record of this and ensure we adhere to this policy.

When speaking to the vulnerable consumer we will:

- Provide additional opportunities for the customer to ask questions about the information we have provided.
- Continuously seek confirmation that they have understood the information that has been provided.
- Ask if there is anybody with them who is able to assist them, and offer them the opportunity to have a family member or friend present during the conversation

Where we feel we do not have the expertise to deal with the client due to their personal situation, we will make every attempt to refer them to another firm or third party for the appropriate level of support to be provided.

HOW WE WILL REVIEW OUTCOMES

As a business we understand we need to monitor for trends and understand how vulnerable characteristics may change over time in relation to our target market and customer base. We will capture management information so we can monitor for trends, learn from experiences and improve our support to customers.

We will use a 'client vulnerability record form' in those instances where our service has been directly impacted due to the client's vulnerable situation. We will use this information to monitor that we meet the needs of our customers and improve our support in this area. This will allow us to review our vulnerable persons policy periodically.

Additionally, we have access to a dedicated compliance support provider who offer a 'Vulnerable Persons Hub' that includes guides and sales support, regulation and bulletins, events and training, and signposting and links to speciality and charitable organisations.

Understanding the benefits to our firm

Supporting customers and clients who are in a vulnerable position is not just a regulatory but is also a moral responsibility. We intend to fulfil our duties in this area and, as a firm, we see the benefits in adopting the right approach. These include:

- Reduction in complaints
- Greater client satisfaction
- Engagement from a particular client set
- Reputational benefits
- Good publicity
- Improvement of overall "culture"

We will review our practices periodically for consistency and to determine adherence to the stated policy.

The following table illustrates mitigating actions for clients with mental capacity deficiencies (for the avoidance of confusion, “competent person” means an individual without the limitation presented by the client):

Capacity Issue	Risk	Mitigation
Language	Client cannot fully understand important features of their agreement with us, their recommendation or the consequences of that recommendation	Client to instruct a competent person to act as interpreter.
Other communication problem created by disability	As above	Client to instruct a competent person to act as interpreter. Client to nominate a reasonable communication medium suitable for their disability.
Mental incapacity (temporary) e.g. intoxication, mental illness	As above plus the potential for reckless disregard for consequence	Client to instruct a competent person to communicate on their behalf. Legal agreement must be reached outside of any period of incapacity. Client should be encouraged to seek independent professional advice. If legal agreement cannot be reached outside of any incapacity, client must provide “Power of Attorney” for a competent individual to act on their behalf.
Mental incapacity (Permanent)	As above plus the possibility that any agreement might be unenforceable as a result of known incapacity.	Client must provide “Power of Attorney” to a competent individual to act on their behalf.

RIGHTS & RESPONSIBILITIES

Our responsibilities:

- To abide by the FCA's principles and rules in this area:
 - FCA Principles for Business 2,3,6,7 & 9;
 - TCF Outcomes 1,2 & 4;
 - Consumer Duty Principle 12 (from 31st July 2023);
 - Conduct of Business Rules;
 - Senior Manager Conduct Rules;
 - Individual Conduct Rules
- To ensure staff are aware of this policy and are adequately trained to identify and deal with clients who are or may appear "vulnerable"
- To support individuals in relation to identified risk and vulnerability
- To provide means of reporting any instance where they believe that a client might be in vulnerable circumstances

Responsibilities of our employees:

- To be familiar with this policy and procedures, and be able to recognise where additional support or signposting to other agencies may be required
- To take appropriate action in line with this policy
- To report any instance where they believe that a client might be in a vulnerable circumstance and act accordingly in line with the policy

Identification of and treatment of vulnerable clients – Client Evaluation

The table below sets out our approach to dealing with all individuals and help us to determine their circumstances and if they are in a permanent or temporary vulnerable situation. These guidelines will be distributed to all staff and each will be trained on the areas relevant to their role.

Client Evaluation

All clients will be assessed, as a minimum, against the following criteria. This is in addition to any processes we have in place for different vulnerability groups;

O U R C L I E N T S B E S T I N T E R E S T S	Assess the client against our vulnerability policy
	Actively seek to encourage disclosure about potential vulnerability
	Ensure the approach taken is accurately reflected in the business records
	Consider whether to discuss the approach with colleagues/other professionals
	Ensure the know your client information gathers sufficient details to support the advice and uses additional questioning where appropriate
	Consider any unusual aspects – e.g. if someone else is accompanying a client, is there the potential for undue influence from that person
	Understand who the client is and the extent of the instructions needed to act on e.g. Power of Attorney
	Consider whether the client is acting differently/showing signs of a change of character
	Set a list of questions to check client memory recollection, where appropriate
	When working with more than one person, is there the potential for any conflict of interest or undue influence
	Confirm any change in circumstances which might lead to vulnerability e.g. taking on caring responsibilities
	Establish whether the client’s stated needs and objectives align with their current circumstances
	Consider whether the standard sales process or specific vulnerability group process is appropriate to the client’s needs
	Identify products/solutions that are clear and easy to understand for those showing signs of vulnerability
	Consider whether there is a need to adjust the delivery and format of communications e.g. providing a report in large print
	Explain all matters with no or limited use of jargon
	Try to accommodate flexibility around appointment locations and times e.g. visiting the client at their home at their preferred time of the day
	Try to determine if the duration of the meeting will need extending to accommodate more detailed explanations and delivery of information
Determine if the complexity of the advice will require delivery over a greater number of meetings	
Considered the accessibility of office visits for those with health conditions/disabilities	

APPENDIX I

OUR TARGET MARKET AND CUSTOMER BASE

We have considered what characteristics of vulnerability are likely to be present in the target market and customer base of Smith & Co Chartered Financial Planning and what steps we can take to mitigate risk and deliver good outcomes. These considerations are outlined below:

Staff training and awareness	<p>Vulnerability focused training will form part of my general CPD programme (and will be required of any future employees). I also intend to undertake specific training modules provided by SimplyBiz.</p> <p>While I do not have focused, specialist experience in dealing with vulnerable persons, my almost decade long career meeting with clients has provided a wide range of scenarios in which they have been experiencing characteristics of vulnerability. These include, but are not limited to, bereavement of spouse or close family member, separation and divorce, serious illness, & low level of financial capabilities.</p>
Likelihood of dealing with consumers that are in a vulnerable position or have characteristics of vulnerability.	<p>Our target market is the UK based, mass affluent, retail market. As such, we could encounter any and all types of vulnerability in our dealings with clients and potential clients. However, as those who tend to seek financial advice are those with a certain level of assets and/or approaching or at retirement, this generally provides them with a certain level of experience relating to investing, while also providing an asset base that means their financial security is relatively solid.</p> <p>We anticipate dealing with a relatively low number of clients with characteristics of vulnerability but intend to have the knowledge, processes, and systems in place to competently deal with a higher level of clients (and potential clients) who display vulnerability.</p> <p>It is not our intention to target vulnerable customers although there is a thought to look at offering clinics or free guidance sessions to those who may not usually meet with an adviser (often due to costs) and may, due to varying vulnerability drivers, need to run things past an adviser. This is not on the immediate horizon, however, as the focus will initially be on establishing the business as a profitable venture but is a project that I intend to look at further down the line.</p>
Characteristics of vulnerability in our target market and / or customer base	<p>The expectation is that the following vulnerable characteristics will be those encountered most frequently within our client bank:</p> <p>Health – serious illness, age related issues Life events – loss of spouse or loved one</p>
Products or services we arrange where individuals could be at a	Drawdown contracts now tend to form a significant part of a client's retirement solution and the risks inherent within this

<p>heightened risk of being deemed vulnerable.</p>	<p>product mean that care will need to be taken if they are displaying characteristics of vulnerability.</p> <p>Client’s taking investment withdrawals, particularly those receiving natural income from their portfolio and thus exposed to the variability this can entail, may need to review these in light of their becoming vulnerable (e.g., they may need and increased and/or fixed withdrawal pattern to cover increased expenditure due to medical costs)</p>
<p>How we will adapt our services to meet the needs of vulnerable customers and deliver good outcomes.</p>	<p>Relationship breakdown, bereavement, heightened stress and anxiety – we recognise that this is likely to be emotionally challenging for the customer which may affect decision making. We will adapt our service by offering more time, additional meetings where appropriate, e.g. where the client is not focused on the discussion, and/or invite a third party to support the client. Where we are aware of dedicated support services available, e.g. at a provider/lender, we will look to ensure the customer is handed to a specialist team.</p> <p>Serious illness – we would assist in this scenario by offering additional meetings where needed, so that the impact of the illness on the client’s (and any partner’s) life is factored in to their planning. We could also travel to their home or new location (a care home for example) to offer reassurance and support, so they can take comfort that their finances are best adapted to their new reality. It may also require involving any spouse or close family members so they are well informed (would also advise clients to arrange LPAs, if they haven’t already, providing links to a trusted 3rd party to assist with this, if required)</p> <p>Hearing or visual impairment – we would adapt our meeting style and methods of communication in a way that would support the consumers understanding and we would look to product manufacturers for support in this respect in relation to materials they produce.</p> <p>Mental health condition, disability or loss of capacity – where necessary we would consider the use of third-party support and legal mechanisms, including Power of Attorney, to support customers who cannot make their own decisions. We proactively discuss the importance of putting POA in place with our clients and explain the disadvantages if this is not in place.</p> <p>Over-indebtedness or erratic income – As we are not able to offer re-financing options, we would consider involving a third party, and where appropriate make a referral or recommendation to an appropriate specialist organisation or debt charity.</p>
<p>Resources available from 3rd parties, e.g. specialist</p>	<p>We intend to use SimplyBiz’s Vulnerable Persons Hub – this offers the following resources to assist firms when dealing with clients showing characteristics of vulnerability:</p>

organisations, product manufacturers.

- Regulation & bulletins (compliance documentation & FCA Updates)
- Guides & Sales Support (resources to help identify & deal with vulnerable clients)
- Events & Training
- Specialist & Charitable Organisations (info of 3rd party organisations which may help clients)
- Financial Vulnerability Taskforce – Smith & Co will use the Charter as a basis of our approach & will register as members of the FVT once the firm is established (Dan Smith has already registered as an individual)
- Financial Vulnerability Assessment Tool by Co:mentis (we will use this to ensure we have robust, repeatable process in place, better identify clients who could be at risk of vulnerability, and create an audit trail of assessments & actions)