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Identifying and supporting vulnerable customers

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By the end of this session, you will:

- Have a better understanding of why it's important to identify a vulnerable customer
- Know how to recognise a vulnerable customer
- Be up to date with the FCA's guidance on vulnerability
- Know about the support providers can offer

Agenda

- The definition of a vulnerable customer
- Why it's important that you understand a vulnerable customer
- How to identify a vulnerable customer
- How you can support vulnerable customers
- How providers can help you identify and support vulnerable customers





The definition of a vulnerable customer



The FCA's definition of 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."

FG21/1: Guidance for firms on the fair treatment of vulnerable customers



It's important to note that....

A customer can become vulnerable at any point in their life

Vulnerability can be permanent or temporary

The nature of the vulnerability can change over time

Vulnerability isn't just about old age or disability

What can make a customer vulnerable?

Health or disability

A life event

Resilience

Capability

Health or Disability

- Physical Disabilities
- Severe or long-term illness
- Hearing or Visual impairments
- Mental Health challenges
- Disabilities that result in low mental capacity or cognitive issues



A Life event

- Caring responsibilities
- Bereavement
- Income shocks such as redundancy, loss of job or inability to work through illness
- Separation or divorce
- Having non-standard requirements such as ex-offenders, care leavers or refugees



Resilience

- Low or inconsistent income
- Being in debt
- Low savings
- Lack of support from family or friends
- Low emotional resilience – such as making impulsive financial decisions



Capability

- Learning difficulties
- Low English language skills
- Poor literacy or numeracy skills
- A lack of digital skills
- Low knowledge or confidence in managing financial matters



Why it's important that you understand vulnerable customers



Understanding vulnerable customers

Vulnerable customers may be unable to make clear decisions and represent their own best interests.

It can affect the way they engage with you, as well as your services and their providers.

A customer's vulnerability may not be immediately obvious, but these statistics show how many UK adults are at risk of potential harm:

- **49% of UK adults** show 1 or more characteristics of vulnerability.
- **26% of UK adults** have low financial resilience.
- **61% of UK adults** find keeping up with domestic bills and credit commitments a heavy burden or somewhat of a burden. ¹

¹Source: FCA Financial Lives 2024 survey



FCA – firms' treatment of customers in vulnerable circumstances (March 2025)

Areas of good practice:

- Effective use of data to monitor outcomes
- Offering flexible and tailored customer support
- Clear and timely communications
- Incorporating customers' experiences into product and service development processes

FCA – firms' treatment of customers in vulnerable circumstances (March 2025)

Areas for improvement:

- Ineffective outcomes monitoring
- Failure to give appropriate support
- Failure to communicate clearly to meet the needs of customers in vulnerable circumstances
- Lack of tailored training and embedding customers' needs into product and service design

How to identify a vulnerable customer



It can be difficult to spot if customers need extra support

Some choose to disclose vulnerabilities directly, such as hard of hearing so telephone conversations are difficult.

Others may divulge indirectly such as, “I'm struggling to read or understand this”

Other signs to look out for...



Asking unrelated questions.



Repeating themselves, appearing distressed or sounding flustered.



Constantly answering “yes” but not appearing to be keeping up with your conversation.



Making statements such as:-

- “My partner just died”
- “My Husband always dealt with things for me”
- “I’ve recently lost my job” or “I’m nervous after being victim to a hoax”

Use data

- Late or missed premiums
- A claim on a protection policy
- Not attending a medical underwriting appointment
- Cancelling a policy
- Increasing or decreasing contact with your client
- Out of character behaviour
- Family member claim



Provide opportunity for disclosure

- **Initial Client Meeting** – gives the opportunity to seek and encourage disclosure of potential vulnerability or support needs.
- **Regular Client Reviews** – identify any changes to personal or financial situation e.g taken on a caring role, separated or divorced, made redundant, illness or death in the family.
- **Client Feedback Surveys** – can indicate if a client needs extra support or information in a specific format.



How can you support a vulnerable customer?



The Association of British Insurers say...

“Financial resilience is the ability to withstand life events that impact your income”

“People’s financial vulnerabilities are further exposed when considering housing and day-to-day costs if they are no longer able to work”

Practical protection aspects



The role of protection advice

Too unwell to work?	Income protection		
Developed a serious illness	Critical illness cover	Children's critical illness cover	Family income benefit with CI
Dying prematurely	Life cover	Family income benefit	Relevant life
Business planning	Partnership and shareholder protection	Key person cover	Debt protection
Estate planning	Whole of life	Gift inter-vivos	
Divorce/separation	Flexibility of cover	Child maintenance protection	
Wellbeing support	Support services		

How can you support vulnerable clients?



Client fact-find



Cancelled premiums



Regular reviews



Record on client file



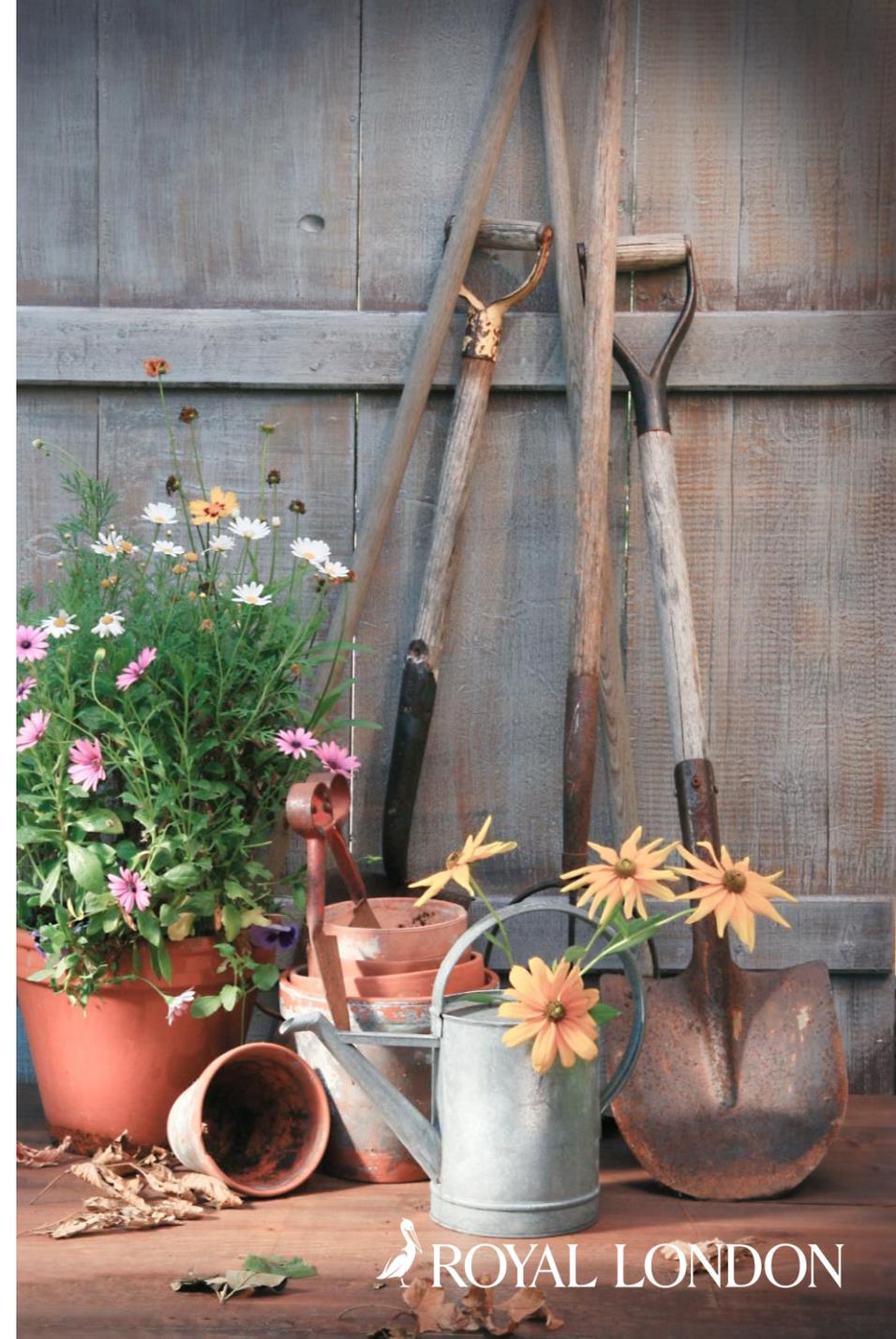
Signposting protection advice



Communication/clarity

How can you support vulnerable customers?

- Have flexible processes – verbal/written communication.
- Offer flexible meetings – office, home, timing, frequency and a companion.
- Recognise trigger points.
- Appoint a vulnerability champion within your firm.
- Review your on-site accessibility.
- Offering the right information at the right time and reducing jargon and technical terms.
- Instruct a Letter of Authority (LOA).
- Appoint a Power of Attorney (POA).



Economic Abuse

Research from Surviving Economic Abuse

More Women disclose economic abuse to financial service providers (23%) than to the police (13%)

1 in 5 women in the UK (5.5 million) have experienced some level of economic abuse in the past year

1 in 3 victim survivors had to give up their home due to economic abuse

78% of survivors say joint mortgage abuse kept them from leaving their home

“Locked into a mortgage. Locked out of my home”

“Surviving Economic Abuse Report 2024”

What is Economic Abuse?

- A legally recognised form of domestic abuse.
- One person controls or restricts access to money, resources and economic independence.
- Includes controlling finances, employment, transport, utilities, food and housing.
- Often occurs alongside other forms of abuse such as emotional, psychological, physical or sexual abuse.
- Diminishes the victim's capacity to support themselves forcing them to depend on the abuser financially.



Economic abuse and protection policies



Coercion in taking out/altering a policy



Forging signatures/ misrepresenting information



Denying access or cancelling a policy



Use policy as a threat or leverage



Splitting a policy & future underwriting

Economic Abuse

Not having enough money/asking to borrow

Joint finances –salary/benefits paid into partner’s account or no access to joint account

Always uses cash/seeking partner’s permission

Wanting to work or leaving work

Not socialising, change in appearance, hiding purchases

Abusers may take advantage of cost-of-living crisis

It’s more common than you think

What to do if you suspect Economic Abuse?

- Express concern, don't ask too many questions but say that help is available.
- Take time to listen, recognise victim may take time or not want to act.
- Have information about domestic abuse support to hand. Encourage them to contact a helpline or online support. You could even offer to be with them when they call.
- Provide training for staff.
- Signpost to further information.



Practical pensions aspects



Income drawdown

- Thematic review TR24/1 March 2024
- Treatment of vulnerable customers
- Some good news but room for improvement
- 952 out of 958 firms had put steps in place to identify vulnerability
- Small number had only generic policies in place



Income drawdown

- 957 firms include family or friends in meetings
- 937 firms provide home visits
- 929 firms use face to face rather than paper
- 770 firms provide telephone advice
- 743 firms provide additional touchpoints
- 624 firms use more concise or clearer documentation



Pensions and divorce



Consider the impact separation, divorce and remarriage might have on **benefit nomination**



Always consider independent valuation for **Armed Forces/Public Sector schemes**



Review any pension **attachment orders**



What's the most **tax-efficient** way of **rebuilding** assets?

Periodic review of suitability

Good practice

One firm had an ongoing service process flow document describing what was expected of advisers during ongoing reviews. It also gave information to customers detailing what would be covered in ongoing reviews. Suitability reports also included an appendix showing this information.

Another firm had processes and controls to cover ongoing QA as well as the actual fulfilment of reviews. Adviser forums were in place to oversee any issues arising from fulfilment of the services provided. The firm's systems were able to identify and flag where reviews were missed and fed into key risk indicators used to measure performance and oversight of advisers.

Poor practice

One firm acknowledged that ongoing reviews could be missed but did not have a process to mitigate this or set out the action it would take to ensure customers were not paying for a service they did not receive.

Death benefits



Make sure
you're up to
date with the
changes



Make sure the
scheme offers
the desired
options



Make sure any
expression of
wish is up to
date



Apply for
Transitional Tax
Free Amount
Certificate
(TTFAC) if
needed

How providers can help and support you



Help to identify and support vulnerable clients

Literature library of client facing material

Signal potential vulnerabilities

Clear communication

Financial well-being support

Emotional and practical support

Health & well-being directory



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