Fiske

Investment guides

Understanding vulnerability

The Financial Conduct Authority (FCA) has estimated around 50 per cent of people will find themselves in a vulnerable position at some point during their lives[1]. Many will be reluctant to reveal their plight, while others might not even realise they need help.

As a trusted provider of financial services, we have a duty to assist and protect vulnerable clients. This is a brief guide to how to spot the signs and circumstances of vulnerability and what we can do to ensure the best possible outcomes in such cases.

For more information please contact your Fiske Investment Manager if you are currently a Fiske client. Alternatively, please call on +44 (0)20 7448 4700 or email support@fiskeplc.com

A question of financial, mental and physical health

A successful, life-long investment journey does not depend solely on a person's *financial* health. It also depends on their *mental* and *physical* health, which is why financial services providers are increasingly aware of the need to help and protect vulnerable clients.

The FCA defines a "vulnerable consumer" as one whose personal circumstances leave them especially susceptible to harm, particularly when a provider is not giving them suitable levels of care[2]. This ties in with the FCA's Consumer Duty standard, which requires providers to consider a customer's characteristics, needs and goals at all times.

Some causes of vulnerability are relatively well known. They include bereavement, ill health and old age. But many others are less widely recognised – even by the people who suffer them.

The FCA's research on this issue identifies four principal drivers of vulnerability, each comprising a number of characteristics and/or indicators. These can be organised as follows:

Health conditions

- Addiction
- Vision
- Hearing
- Mobility
- Dexterity
- Mental health
- Memory
- Learning, understanding or concentrating
- Stamina, breathing or fatigue
- Other conditions

Negative life events

- Becoming the main carer for a close family member
- Death of a parent, partner or child
- Serious illness (self or close family member)
- Loss of job
- Unwanted reduction in working hours
- Bankruptcy
- Relationship breakdown, separation or divorce
- Domestic abuse

Low financial resilience

- Difficulty in keeping up with domestic bills and/or credit commitments
- Inability to cover living expenses
- Difficulty in meeting increase in rent or mortgage
- Difficulty in paying day-to-day expenses in retirement

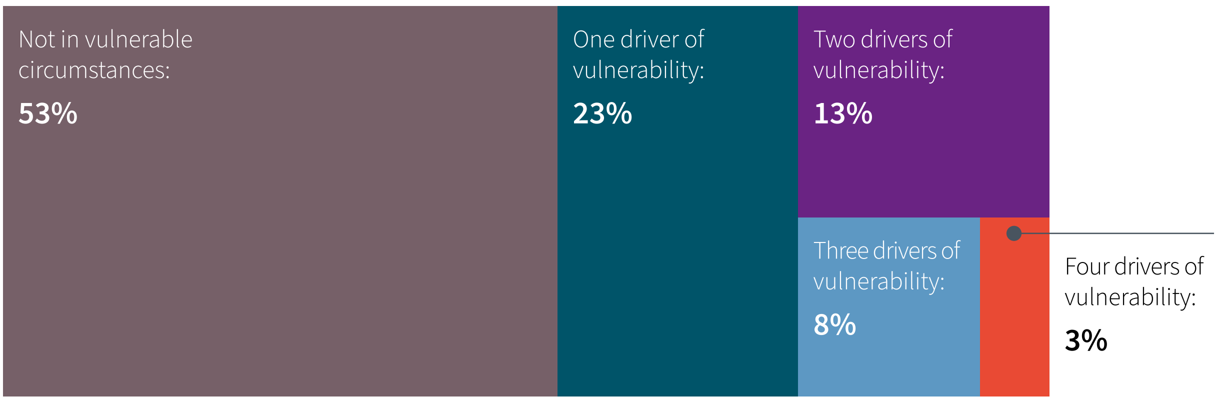
Low capability

- Low confidence in ability to manage money
- Limited knowledge of financial matters
- Lack of consumer confidence
- Limited access to or knowledge of internet

Sources: Financial Conduct Authority: *Financial Lives Survey*, 2022; Financial Conduct Authority and Critical Research: *Vulnerability Review*, 2024

Vulnerability can be multidimensional

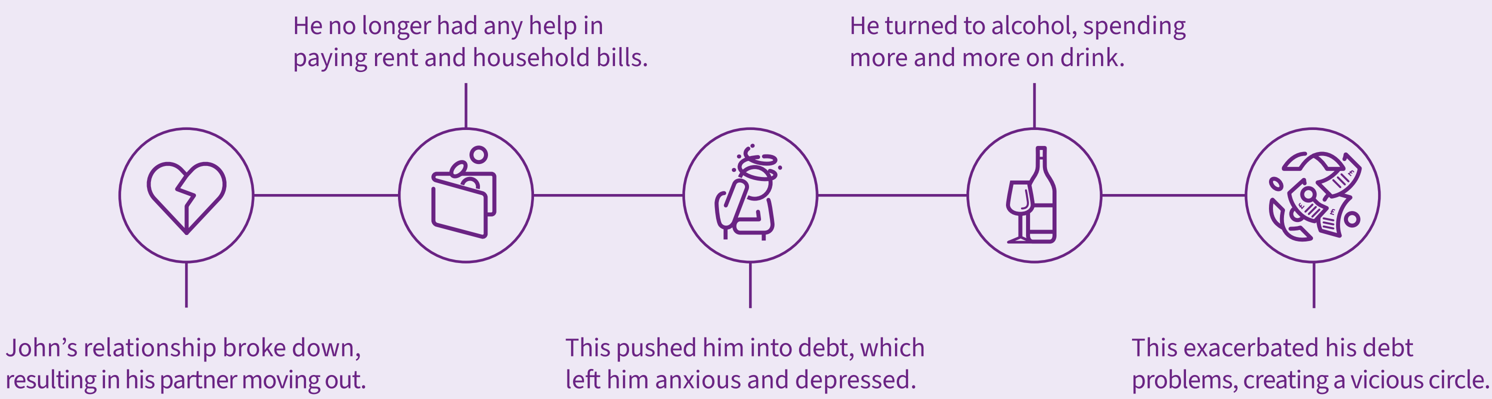
Published in 2024, the FCA's *Vulnerability Review* interviewed 1,500 consumers and found almost half considered themselves vulnerable. Crucially, as shown below, a significant percentage reported exposure to more than one driver of vulnerability.



Source: Financial Conduct Authority and Critical Research: *Vulnerability Review*, 2024

The same research found consumers with multiple characteristics of vulnerability are likely to report poorer outcomes. Since these characteristics can interact, the impacts – including stress and a consequent reduction in decision-making capacity – are also likely to be greater.

In addition, it is important to note how the drivers and characteristics of vulnerability can multiply and even become self-perpetuating. The example below illustrates the kind of negative cycle that can develop if appropriate assistance is not sought and delivered.



Note: for illustrative purposes only

Our duty to you

As the financial industry's regulator, the FCA is giving unprecedented attention to vulnerability. In line with Consumer Duty, it is encouraging all financial services providers to improve their practices and outcomes. We welcome this development.

A key point from our perspective is that vulnerability is not a "one size fits all" problem. Some vulnerabilities are more complex than others, while many individuals might be unable or unwilling to articulate the difficulties they face.

This means we need to work closely with clients to understand and address any challenges they might be experiencing. We also need to adjust our processes and products to deliver a unique response in each instance.

The FCA's research has shown "standardised" responses make it harder for clients to communicate and can leave them feeling their providers simply do not care. By contrast, tailored responses foster trust and are more likely to lead to positive outcomes[3].

We are firmly committed to the latter approach and to helping you in any way we can. Please contact your investment manager through the usual channels if you would like to discuss this issue further.

1. See, for example, Financial Conduct Authority and Critical Research: *Vulnerability Review*, 2024.
2. Ibid.
3. Ibid.

Disclaimer

Fiske

www.fiskeplc.com

Fiske plc. Registered office: 100 Wood Street, London, EC2V 7AN
Member of the London Stock Exchange Authorised and
Regulated by the Financial Conduct Authority
Registered in England No 02248663   VAT No. 489 1881 31