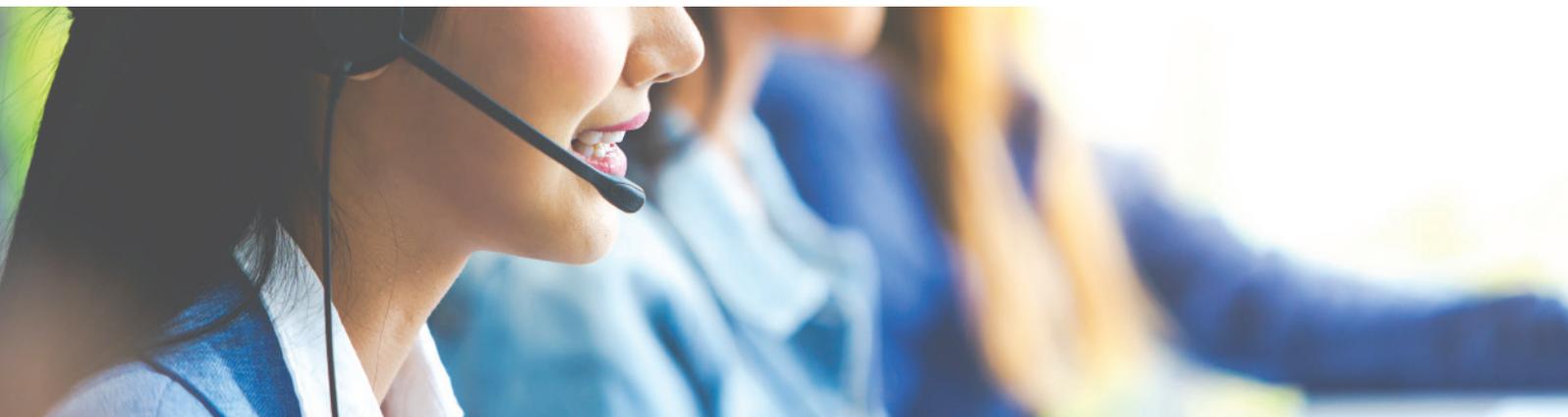


# What does the FCA's guidance on vulnerable customers mean for pensions complaints handling?

Spring 2021



The recent Financial Conduct Authority (FCA) guidance on the fair treatment of vulnerable customers (FG21/1) could not be more relevant as the impact of the pandemic continues to be felt across society. The FCA's Financial Lives research has indicated that the numbers of customers who show signs of vulnerability have risen significantly, with an increase of 3.7 million in the period from February 2020 to October 2020. There are now estimated to be 27.7 million adults in the UK that have one or more characteristics of vulnerability, more than 50% of the adult population.

Vulnerability can take many forms and can affect all customers. The FCA definition of a vulnerable customer is someone that is particularly susceptible to harm, as a result of their personal circumstances. Vulnerability can be caused by poor health; by negative life events such as bereavement, a change in personal relationships or an increase in caring responsibilities; as well as by having low financial resilience or poor literacy or numeracy skills.

The implications of the guidance on pensions complaints are two-fold:

- Will it result in a higher number of future complaints about the sale of pensions products?
- How can the complaints process itself be adapted to ensure compliance with the guidance?

These are considered further below.

**Will the introduction of the new guidance result in a higher number of future complaints about the sale of pensions products?**

It is notable that firms providing advice in relation to pensions products will often be dealing with older customers who may be more at risk of being considered vulnerable. Firms should also be mindful that the financial impact of the pandemic may have resulted in individuals seeking to access pensions savings as a result of financial distress or taking advice having been affected by bereavement. Both groups would be considered vulnerable. With this in mind, it seems that the risk of future complaints may well be heightened by the new guidance and it will be vital for firms to demonstrate compliance with the new guidance if they are to avoid an increase in future complaints.

The FCA's message in FG21/1 is clear. It places an expectation on firms that vulnerable customers should achieve an outcome that is as good as that achieved for those without vulnerability, and that firms should be taking positive actions in this area and monitoring their impact. The four key areas of focus for firms within the guidance are:

- Understanding the needs of vulnerable customers
- Ensuring staff have the skills and capability to assist vulnerable customers
- Taking practical action to identify and support vulnerability
- Monitoring progress in ensuring outcomes are as good as those without vulnerability

Firms can therefore protect themselves by having well documented processes and ensuring adherence to these processes.

## How can the complaints process itself be adapted to ensure compliance with the new guidance?

The FCA are keen to ensure that firms consider vulnerability at all stages of a customer experience, from product design through to the customer service provided. Firms will therefore need to consider how to ensure that vulnerability is dealt with appropriately during the complaints process.

The FCA have suggested that it may be appropriate to engage with external specialist agencies to understand the needs of those with vulnerabilities and/or to discuss with focus groups what additional support can be provided.

Identifying and considering current and potential vulnerability is a key part of the compliance process. It is important to be aware that vulnerability is a spectrum of risk. Indeed, it is often not helpful to apply a label of 'vulnerable' or 'not vulnerable' to customers. Instead, an approach of asking whether there are personal circumstances that the firm should be aware of, whether any additional support would be helpful and offering access to other services if a customer gives appropriate cues can be more appropriate and productive.

Achieving a successful resolution to a complaint will be easier if the appropriate support needs of those showing signs of vulnerability are addressed. Customers could be asked to identify any circumstances that the complaints handler should be made aware of to highlight additional support they would find helpful in resolving their complaint. They could be offered access to additional services if appropriate.

Consideration should be given to whether it is appropriate to minimise interactions with the customer and to keep these as simple as possible, to avoid unnecessary distress. The data gathering process required as part of complaints handling can be protracted so properly planning the customer engagement strategy at the outset may be worthwhile. Similarly, maintaining the same case handler throughout the complaint process can make it less overwhelming for the customer.

It is also vital that all communication is easy to understand and in a format that supports customers. For some insurance and pensions products, if redress for inadequate or inappropriate advice is needed, the compensation calculations can be technical and complex. In these circumstances, clear explanation of the calculation can be critical to a successful outcome with consumer confidence in the process being achieved.

Finally, it is worth noting that customers who have complained have already voiced dissatisfaction with their experience of the way in which they have been treated. Understanding the reasons for the complaint and whether this was exacerbated by a customer's vulnerability may usefully highlight areas for future improvement in the wider advice process.

OAC have been calculating the compensation arising from unsuitable financial advice for over 25 years. We have extensive experience in each stage of the remediation process: from receipt of the complaint, to data gathering, calculation of redress and finally the communication of the redress payment.

We undertake to look at the bigger picture of the circumstances around the loss assessment and are accessible and approachable in supporting our clients to achieve successful resolution. We provide clear, straightforward explanations of our work and calculations. We are happy to assist our clients in reviewing their customer communication and we can provide personalised reports for customers as required.

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### For more information

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