

# VULNERABLE CLIENT IDENTIFICATION GUIDE

Impact Financial Services Limited

This guide helps advisers identify clients who may be in vulnerable circumstances and ensure that appropriate support is provided throughout the advice process.

Recognising vulnerability is an important part of delivering fair outcomes under the FCA Consumer Duty.

## 1 WHAT IS A VULNERABLE CLIENT?

The Financial Conduct Authority defines a vulnerable consumer as:

*"Someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care."*

Vulnerability may be temporary, permanent or situational, and may change over time.

Many clients may not openly disclose vulnerability, therefore advisers should remain attentive to potential indicators.

## 2 WHEN VULNERABILITY MAY APPEAR

Vulnerability may become apparent at different stages of the advice process, including:

- Initial contact
- Fact find discussion
- Needs analysis
- Medical discussions
- Policy explanation
- Post-sale conversations

Advisers should remain alert throughout the entire client relationship.

## 3 COMMON INDICATORS OF VULNERABILITY

Advisers should consider whether any of the following indicators are present.

### Health Indicators

A client may show signs of vulnerability if they have:

- Physical disabilities
- Mental health difficulties
- Cognitive decline or confusion
- Addiction issues
- Hearing or visual impairments

### Example signs during meetings:

- Difficulty concentrating
- Difficulty remembering details
- Struggling to understand explanations

### Life Events

Major life events can create temporary vulnerability. Examples include:

- Bereavement
- Divorce or separation
- Serious illness
- Caring responsibilities
- Job loss

Clients experiencing life events may require additional time and support before making financial decisions.

**Financial Resilience**

Clients may be vulnerable if they have limited financial resilience.

Examples include:

- Unstable income
- Financial hardship
- High levels of debt
- Limited savings

These clients may be more sensitive to financial commitments.

**Language or Communication Barriers**

Clients may require additional support if they have:

- Limited English language ability
- Difficulty reading written documents
- Limited digital skills

Alternative communication methods may be required.

**Capability Indicators**

Some clients may struggle with financial concepts. Indicators include:

- Difficulty understanding financial terminology
- Difficulty comparing options
- Lack of confidence in financial decisions
- Limited numeracy skills

Advisers should adjust explanations accordingly.

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**BEHAVIOURAL INDICATORS DURING MEETINGS**

Advisers should also observe behavioural signals such as:

- Confusion when discussing financial matters
- Difficulty answering questions
- Emotional distress
- Pressure from a third party
- Reluctance to ask questions

These indicators may suggest the client requires additional support.

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**WHAT ADVISERS SHOULD DO IF VULNERABILITY IS IDENTIFIED**

If a client may be vulnerable, advisers should:

- Take additional time to explain recommendations
- Check understanding more frequently
- Provide written summaries where appropriate
- Allow time for the client to consider decisions
- Offer the option to involve a trusted family member or friend

Where appropriate, advisers may arrange follow-up meetings.

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**RECORDING VULNERABILITY**

Where vulnerability is identified, advisers must:

- Record the information in the firm's CRM system (Pro System)
- Flag the case if additional support is required
- Inform management or compliance if necessary

This ensures the firm can continue supporting the client appropriately.

## 7 UNDERSTANDING CHECK

Before proceeding with a recommendation, advisers must ensure the client:

- Understands the purpose of the product
- Understands the costs and commitments
- Understands when the policy pays out
- Understands key exclusions

Advisers may ask the client to explain the recommendation in their own words.

## 8 IMPORTANT REMINDER

**Vulnerability does not automatically mean a client cannot receive advice or products.**

However, it does mean advisers must take additional care to ensure the client fully understands the advice, the product is suitable, and the client receives appropriate support.

### IMPACT FINANCIAL SERVICES COMMITMENT

Impact Financial Services is committed to delivering fair outcomes for all clients, particularly those who may be vulnerable.

Advisers must ensure vulnerability is considered as part of the fact find, needs analysis and recommendation process.

### COMPLIANCE APPROVAL

Impact Financial Services Limited

Authorised and regulated by the Financial Conduct Authority

FRN: 1025644

### DOCUMENT CONTROL

Version: 1.0

Date: March 2026

Owner: Compliance