

Phwealth VULNERABLE CLIENT POLICY

10 September 2020

Phwealth recognises that some of the people we work with may be more vulnerable than normal and that we must adjust our practices to respond to these vulnerabilities as we identify them.

Phwealth uses the framework for addressing vulnerable clients: Recognise – Record – Respond – Report.

Initial training

Phwealth undertook initial training on vulnerable clients in August 2020 using the Strategi white paper as a guide and has instituted a policy of recording client vulnerabilities in our CRM, XPlan, whenever client vulnerabilities are identified.

Ongoing training will be undertaken annually during the first quarterly staff meeting of the year.

Identifying and understanding vulnerability

The definition of a vulnerable client is, “a person, that due to personal circumstances, is especially susceptible to detriment, particularly when the adviser/business is not acting with the appropriate level of care”, according to the UK Financial Conduct Authority (FCA). This is the definition also used by the FMA here in New Zealand.

The following table sets out the four drivers for vulnerability with examples beneath each. Please note the examples are not exhaustive and it is crucial to be alert to clients displaying other vulnerabilities. Advisers should also be alert to the fact that multiple vulnerabilities may be present. The common ones we meet are highlighted in yellow.

Common Drivers of Vulnerability

Health	Life events	Resilience	Capability
Physical disability	Caring responsibilities	Low or erratic income	Low knowledge or confidence in managing financial matters
Severe or long-term illness	Bereavement	Over-indebtedness	Poor literacy and numerical skills
Hearing or visual impairments	Income shock	Low savings	Low English language skills
Poor mental health	Relationship breakdown	Low emotional resilience	Poor or non-existent digital skills
Low mental capacity or cognitive disabilities	Having non-standard requirements such as ex-offenders, care leavers, refugees	Lack of support structure	Learning impairments

Source: Guidance Consultations, FCA Guidance for firms on the fair treatment of vulnerable customers (July 2019).

Phwealth staff are encouraged to ask relevant questions in a sensitive manner to judge prospective vulnerabilities in prospects and clients.

Phwealth is aware that people can move in and out of vulnerability and staff are encouraged to be on the lookout for changes in client behaviour, discuss these with a senior adviser to determine the appropriate response and to note these changes in XPlan.

A vulnerable client report will be prepared annually in January and presented to the Board at their next board meeting.

Reduction of jargon

A number of key elements in the phwealth strategy for dealing with several vulnerabilities are: a reduction in the use of jargon, in both verbal and written material; the use of appropriate font size in all material details; and drawing clients' attention to important facts while checking that the client has understood.

Responding to vulnerability disclosures

Phwealth staff are trained to use the following protocol once a client discloses they are vulnerable in some way:

Thank the customer (what they have told you could be useful for everyone involved). Eg. "Thank you for informing me. This will enable us to deal with your affairs better."

Explain how the information the customer has given you will be used (this is a legal requirement). Eg. "So you are aware, I will now explain how we intend to use this information."

Explicit consent should be obtained (this is a legal requirement). Eg. "in order for us to use this information, I will need your permission to do so. Please could you confirm you are happy to proceed?"

Ask the customer questions to get key information to help you better understand their circumstances. Eg. "Does your mental health problem affect your ability to deal or communicate with us? If so, how?" "Does anyone need to help you manage your finances such as a carer or relative? If so, how?"

Signpost or refer to internal and external help where appropriate.

Source: *Insurance and Financial Services Ombudsman*

Phwealth's professional obligations

The Code of Professional Conduct for Financial Advice Services establishes a duty of care in six key areas and specifies that advisers should:

1. Treat clients fairly (Standard 1).
2. Act with integrity (Standard 2).
3. Give financial advice that is suitable (Standard 3).
4. Ensure that the client understands the financial advice (Standard 4).
5. Protect client information (Standard 5).
6. Have competence, knowledge and skill (Standard 6).

With vulnerable clients the onus is on phwealth to focus more intently than usual on making sure that clients' vulnerabilities do not prevent them receiving these six standard levels of care.

Existing vulnerable clients have been identified and recorded

On the initiation of the phwealth vulnerable client policy, each adviser reviewed their list of clients and noted any vulnerabilities on that list and recorded those vulnerabilities in XPlan.

Our standard on-boarding materials have been adapted to include a reminder to recognise, record, respond and report on client vulnerabilities.

Rhodes Donald, Co-CEO.