



# CONSUMER DUTY MAKES VULNERABILITY WORK EVEN MORE IMPORTANT

## Vulnerability runs through Consumer Duty like the words in a stick of rock. But how has Consumer Duty upgraded the approach firms should take when considering vulnerability?

The FCA's guidance on the fair treatment of vulnerable customers (FG 21/1) sets out what firms should do to ensure that consumers in vulnerable circumstances experience **outcomes as good as those of other consumers**.

This means minimising consumer detriment linked directly to vulnerable circumstances.

Whereas the FCA's guidance on Consumer Duty (FG 22/5) **raises the overall standard of care afforded to all consumers**, including those in vulnerable circumstances.

This means raising the bar in respect of overall standards of care with reference to the cross-cutting rules and four objectives of the Duty.

## HOW CONSUMER DUTY HAS RAISED THE VULNERABILITY BAR

### CONSUMER DUTY REQUIRES FIRMS TO DO MORE:

- Be more proactive in their treatment of those in vulnerable circumstances
- Understand vulnerability at the individual consumer level, and overall firm level
- Capture, record, and audit over time – with data and management information sufficiently granular to evidence that clients in vulnerable circumstances are not experiencing poorer outcomes than other clients.

### VULNERABILITY NEEDS TO BE CONSTANTLY REVIEWED

Consumer Duty covers the whole lifecycle of products and services. And vulnerabilities are transient so clients can find themselves in vulnerable circumstances at any given time.

This means identifying and mitigating aspects of vulnerability isn't a one-off exercise but should be reviewed on an ongoing basis, especially to meet the Duty's objectives around customer support and communications.

### UNDERSTAND VULNERABILITY CHARACTERISTICS

It's not enough to identify and flag someone as vulnerable. Characteristics of vulnerability within a target market need to be properly understood to assess the potential impact on a consumer's capabilities, their ability to make best use of products and services and the delivery of good outcomes.

For all identified characteristics of vulnerability, firms will need to consider:

- What are the potential and likely impacts?
- What is the detriment and risk of detriment?
- How are they currently supporting clients with characteristics of vulnerability
- What more, if anything, is needed?

Go to [www.consumerduty.org](http://www.consumerduty.org) for more information and support on financial vulnerability and Consumer Duty.