

Fresh perspectives on client vulnerability

Helping advisers turn regulation into meaningful outcomes.

A guide from M&G Wealth Platform

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For financial professionals only

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Introduction: Refresh on the regulation

Vulnerability has long been part of the regulatory conversation and two years into the Consumer Duty era, one message remains crystal clear: advice firms cannot afford to treat client vulnerability as an afterthought.

The FCA has also recently reviewed its original guidance on vulnerable customers (published 2021), so now is certainly a good time to have a refresh on some of the most important aspects of vulnerability.

The original FCA guidance 2021

The FCA's fundamental *Guidance for firms on the fair treatment of vulnerable customers* (FG21/1) laid out a clear framework for how financial services firms should identify and support clients who may be at greater risk of harm.

The guidance placed a strong emphasis on understanding customer needs, training staff to respond effectively, building flexible services, and monitoring outcomes; all underpinned by the principle of delivering fair treatment throughout the customer journey.

Defining vulnerability

Vulnerability is defined broadly, noting that any customer can become vulnerable depending on circumstances, and four key drivers are identified: health conditions, life events, low resilience, and low capability.

The FCA's favoured terminology is "customer in vulnerable circumstances" (especially in their 2025 review of the original guidance) – a very precise and person-centred term which avoids labelling someone as inherently vulnerable.

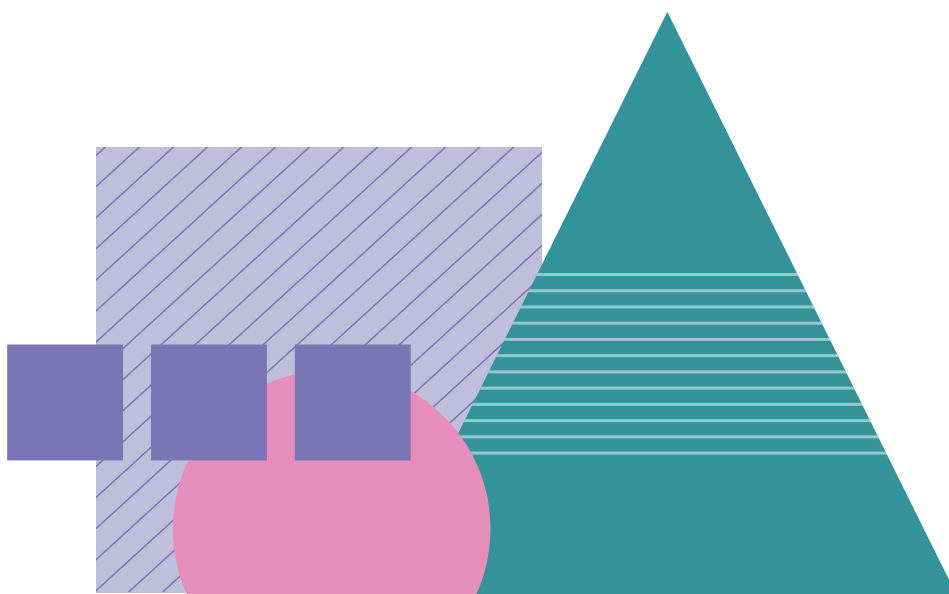
The 2025 review

Whilst the FCA's recent review of its original guidance on vulnerability doesn't introduce new rules as such, it does sharpen the focus on areas where good intentions may fall short in practice, particularly in evidencing good outcomes and adapting advice processes. The regulator made it clear that the guidance remains fully relevant, but firms are now expected to go further in embedding it across their business.

The review acknowledged progress among firms, especially in tailoring support for vulnerable clients. But gaps remain, particularly around identifying vulnerability, encouraging disclosure, and monitoring how effective the support provided actually is. The latter really matters, because under Consumer Duty the focus is not on having the right policies in place; rather, it's about outcomes.

What's next?

As Consumer Duty beds in, the FCA expects to see a shift from compliance to cultural maturity, where fair treatment of vulnerable clients is part of a firm's DNA, not just its documentation.



What's it like for advisers implementing the guidance?

At an essential level, advice firms need to be sure they have a clear understanding of the four key vulnerability drivers. However, in practice, this can be incredibly challenging for advisers because of the complex nature of vulnerability. Clients may not even recognise their own vulnerability, or they go to great lengths to conceal it.

Even advisers who have a strong grasp of their approach to vulnerability may still find grey areas when they have to judge how far their responsibilities go.

Meanwhile, the burden of compliance around vulnerability can feel quite different depending on the size of the advice firm, whether large, small or somewhere in between.

In this guide, we'll hear directly from advisers about their experience of tackling client vulnerability on the ground, and we'll also learn more from an industry expert about important aspects of vulnerability, including AI and what's inside the regulator's head.

Fresh perspectives

Together, these valuable perspectives and positive experiences should leave you with tips for best practice, along with fresh ideas and approaches to client vulnerability, making this complex and important area of regulation that bit easier to stay on top of.

Ask the expert on vulnerability: Alison Gay from the lang cat



We asked Alison Gay, senior regulatory consultant at the lang cat, to give us her expert take on the regulator and all things vulnerability. Here's what she told us.

There's always going to be a sense of pressure when someone refers to you as an 'expert' on any given subject. Suddenly I feel as though I'm about to sit down in the Mastermind chair and have a series of challenging quick-fire questions on client vulnerability thrown at me by Clive Myrie.

Admittedly I don't think any Mastermind contestant ever has, or ever will, pick financial regulation as their chosen subject, although you never know. And turns out I do know a thing or two about this particular area of regulation, having worked closely on the original guidance during my previous role at the FCA. Here are my thoughts on why vulnerability matters to all of us and how advisers can successfully navigate this increasingly important aspect of advice.

A different challenge

The FCA's guidance on the fair treatment of vulnerable customers, although widely recognised as necessary, was always going to be a different kind of compliance challenge compared to other regulation.

Being on top of a client's finance goals is one thing. Recognising and dealing with vulnerability – which is often complex, emotional and deeply personal – can be quite another. But advisers have a lot to feel confident about, with recent research showing that, on the whole, advice firms are dealing with client vulnerability pretty well.

The evolution of vulnerability

As an industry, we used to think of vulnerability in clients as being people with a disability or someone with dementia. But what the FCA came to realise is that anyone can be vulnerable and people can move in and out of vulnerability.

It could be someone who has recently lost a parent, a partner who has just become ill or has had an accident themselves. All are instances where a person may experience vulnerability. You can also see this in the examples of vulnerability highlighted in the original FCA guidance, which are broad and not always overtly obvious:

Example characteristics associated with the four drivers of vulnerability, adapted from the FCA's original 2021 guidance:

Health 	Life events 	Resilience 	Capability 
Physical disability	Retirement	Inadequate (outgoings exceed income) or erratic income	Low knowledge or confidence in managing finances
Severe or long-term illness	Bereavement	Over-indebtedness	Poor literacy or numeracy skills
Hearing or visual impairment	Income shock	Low savings	Poor English language skills
Mental health condition or disability	Relationship breakdown	Low emotional resilience	Poor or non-existent digital skills
Addiction	Domestic abuse (including economic control)		Learning difficulties
Low mental capacity or cognitive disability	Caring responsibilities		No or low access to help or support

Firms of all shapes and sizes

If vulnerability is complex by nature then tackling it will inevitably pose its own challenges too.

Smaller advice firms

Smaller advice businesses may find it particularly tricky to meet the regulator's expectation of having trained 'vulnerability champions' when they have a small team who already wear many hats.

At the same time, size can also be a virtue for smaller firms: they are almost by definition closer to their customers, and likely to pick up on the nuances that larger, more 'distant' firms might miss or overlook.



Medium and large advice firms

Nowadays, though, those larger firms are getting ahead of the curve by increasingly deploying resources into AI solutions.

Looking across the advice market, it's actually mid-sized firms which may find client vulnerability the toughest to take on. Their client bank may be sizeable enough to find that their team is that bit further removed from each customer, making it harder to spot every case of vulnerability. Meanwhile, investing in AI as an alternative or additional support for vulnerable customers may also prove tricky for firms of this size due to scale and resources.

Regardless of shape and size, the FCA expects all advice businesses to be on the ball when it comes to vulnerability.



If used responsibly, AI could prove a useful tool, particularly for pattern recognition and assessing worrying behaviour."

It's not an add on

One of the undeniable facts about the guidance, and undoubtedly a big hurdle for firms, is that there can be no half measures when approaching client vulnerability. It's all about embedding vulnerability through processes that can influence a better culture instead of treating it abstractly.

It's never going to be an add on. If a firm identifies a vulnerable customer, the response shouldn't be to hand it over to 'that team there because they deal with vulnerable customers'. When an issue is identified, what we should see is an in-built process being immediately followed and tracked, backed up by training and responsibility that extends throughout the firm.

Guidance is how you become compliant with the rules but on its own this doesn't always translate into treating clients very well.

What does the future look like?

The FCA confirmed in its 2025 review that it is committed to the client vulnerability guidance as it stands but outside factors can always change things. If advisers are going to see change anywhere in the guidance, it'll likely be in response to AI development.

If used responsibly, AI could prove a useful tool, particularly for pattern recognition and assessing worrying behaviour. However, it would still require oversight and regulation to make sure firms aren't making decisions about people that then can't be challenged.

Shared experience

One area both the industry and FCA can still do more on is encouraging better collaboration and use of trade bodies to help share experiences, which can then be amplified to help other firms.

There is also scope to use outsourcing for training and guidance, especially given the FCA looks favourably on getting education through independent expertise. Although of course the regulatory buck will always stop with the firm.

We're all in the same boat when it comes to vulnerability, quite literally, because every one of us will experience events and circumstances that make us more or less vulnerable as we move through life. There is always more we can learn and build on from sharing experiences and coming together as an industry on this universal issue.

Adviser interviews: supporting client vulnerability in practice



ADVISER INTERVIEW 1: Tackling vulnerability as a small advice firm

I'm essentially a one-man band (with outsourced admin support that is rarely client facing) but also part of a network so, when it comes to any piece of regulation, they are usually all over it. Having that centralised support there for something like client vulnerability is really valuable, although admittedly some of the steps and processes aren't always necessary or relevant for a smaller firm like mine.

“ I took the case to compliance and unfortunately we decided we couldn't advise the client...”

Soft skills

I have a very small client bank, which has grown organically with each client being a friend or family that has referred me. This means I really, really, know my clients and therefore probably don't need a pop-up on my back office reminding me that a client is vulnerable all the time. What's been most valuable is the soft skills training available through the network which has taught me a lot about identifying the characteristics and traits of vulnerability.

Don't mention the divorce

I've got a client going through a really difficult divorce and even a few years ago my attitude might have been to not even mention this to them during meetings or calls. But now I have the soft skills to talk better to someone in these circumstances and, in turn, encourage them to be more open and talk to me about their situation. I'm definitely more aware of how to deal with these vulnerabilities as a result.

This is also a good example of how complex vulnerability can become for advisers and clients. My client's lawyer had proposed that they draw their lump sum as part of the divorce settlement. But I knew the client's head simply wasn't in the right place to sit down and establish what their outgoings and future job prospects would be – things that are all important parts of drawdown planning. Instead this person is in a place where they're far more likely to make emotional and potentially hasty decisions.

So, I took the case to compliance and we decided that unfortunately we couldn't advise the client on it. I was of course careful that they wouldn't end up being a stranded client, because that would not be good for someone who is vulnerable, but they have had to go to the provider directly instead.



Much more than a red flag

I have to make an assessment of whether a client is vulnerable and categorise this as either a permanent or transitional vulnerability. There are other categories, for example whether the vulnerability is health or lifestyle related.

One of the most important bits of this assessment is a freeform box where, as the adviser, I have to create a file note of what I've identified and why, as well as the steps I'll take to address the vulnerability.

“ You need to be a bit of a therapist in some ways but also respect that there is of course a professional line.”

This 'next steps' part is newer to me but it's proving very useful. I can record hard factual stuff like sharing

all documents in large print because the client finds it hard to read anything smaller. But, crucially, I can also keep a log of the more nuanced but no less important aspects of vulnerability. Using the example of divorce again, I might note that lengthy conversations aren't appropriate for the client at this time and that information and communication should be in bite sized chunks.

I think this is very different from even a few years ago when it just used to be a red flag that appeared on screen saying 'vulnerable client' with no context.

I treat my clients very individually and so, if I was directly regulated as a one-man band perhaps I might not have put so much down on paper around vulnerability. But ultimately the regulator is looking for things to be evidenced and documented so that it can see vulnerability has been carefully considered.

Embedding yourself in a client's life

Of course all of this can be challenging sometimes – ever since life planning became the focus you really do have to embed yourself in a client's life. You need to be a bit of a therapist in some ways but also respect that there is of course a professional line and your role is to look after the financial side of things.





ADVISER INTERVIEW 2:

A different type of vulnerability for the advice profession

It's rare in the advice industry but we've got a lot of younger clients who, rather than building wealth, are actually trying to reduce debt. Clients in this type of situation aren't just financially vulnerable, this could be impacting things like their mental health or relationships too.

“ When we initially speak to a new client, we actually start off by assuming that they will be experiencing some sort of vulnerability.”

The advice industry is well set up to support people with vulnerabilities that tend to happen in later life like dementia or living in a care home – I'm also qualified with the Society of Later Life Advisers (SOLLA) so this is second nature to me too. But not many advisers will have experienced what it's like to support clients who are struggling month on month financially and working with them to get freedom from debt.

This can be really challenging, only a couple of weeks ago I left a meeting with a client in this position and wondered if I was actually helping them here. But it's small steps that have the biggest impact, it takes time; it's not an instant fix like many of us get used to in the advice profession.

These are the type of clients I see most frequently because they need more assistance. As part of our financial planning subscription service for clients, we offer set planning meetings per year but also a monthly check-in so we're having frequent conversations.

The need for openness and education

While these characteristics of vulnerability may be unusual in our industry, it's not a rare vulnerability more generally because so many people in the UK face debts and money struggles. For someone like me working in the advice sector, good money habits feel like second nature but this just isn't the case for so many people because we're not taught finances in school – it's a huge area that's lacking in education.

All this means that, right from the very beginning when we initially speak to a new client, we actually start off by assuming that they will be experiencing some sort of vulnerability. And as we get to know them more, we try to create opportunities for them to be open so we can better understand these vulnerabilities.





It takes trust

We often find that clients get embarrassed about vulnerabilities like debt, spending or financial insecurity. In the meeting I referred to earlier, the client had taken out another credit card which they were reluctant to tell me about at first, until their partner encouraged them.

I try to make it clear to clients that they really need to be open with me when it comes things like this but I also make sure they know that there's absolutely no judgement from me.

“ I try to make it clear to clients that they really need to be open with me...but I also make sure they know that there's absolutely no judgement.”

What we don't want is for clients to feel like they're on the equivalent of an extreme diet with their finances, cutting everything out, because the risk is you'll only end up bingeing. They've still got to enjoy life because it's happening now, whatever the circumstances, and we try to help them find balance.

Adviser solidarity

My colleague and I rely on each other to know we're doing the right things. We provide a lot of support for each other and talk all the time about our experiences with client vulnerability.

We're also part of a few communities where we can ask for help or opinions on how others approach certain things. Some advice firms can be quite insular but I'd encourage anyone to join these types of communities because it's amazing to be part of something where I can offer help and ask for it too.

I do think that more training is needed on soft skills and dealing with vulnerability. There's so much technical training for your CPD and soft skills are also fundamental to build a trusting relationship with clients, especially when you need to be in touch with their motivations on an emotional level.



ADVISER INTERVIEW 3:

How AI is helping create consistency around vulnerability for one advice firm

We talk continually about fiduciary duty and have always been particularly aware of client vulnerabilities.

“ This type of AI tool is like another pair of eyes to look at everything from a regulatory point of view.”

Being consistent

We've had processes in place for dealing with vulnerability since before RDR and have worked hard to improve these over time. Our back-office system is critical for consistency and we log all potential vulnerabilities on the system. We have a lot of clients – close to 700 – between five-six advisers, so we've made a big effort to make sure any and all vulnerabilities are recorded well.

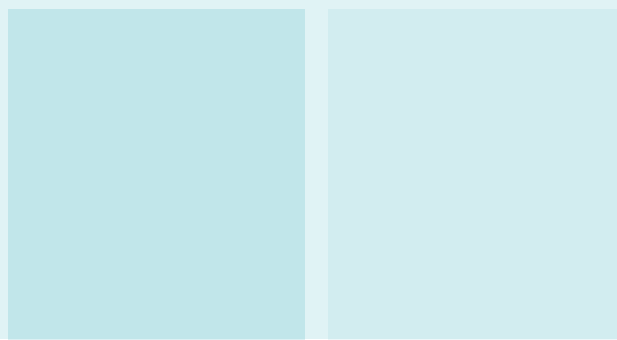
This means I can easily run client management information (MI) on age profile, gender, whether they are vulnerable and different types of vulnerability. We wanted consistency so that our back office could bring everything through in one very similar way, giving us confidence in our data and records.

AI tools for vulnerability

We've also started using AI transcription tools because it helps to recognise the temperature of how a client speaks during meetings. It records their words and tags them if these indicate vulnerability. Advisers, paraplanners and other people across our firm will be speaking to clients and this AI gives us consistency across the firm when identifying potential vulnerabilities.

Our team have always been good at raising the question of whether a client is vulnerable and asking for a second opinion internally, so this type of AI tool is like another pair of eyes to look at everything from a regulatory point of view.

It is making a massive difference for us and we use this AI tool in every client meeting now. It's good at picking up on points we might need to explain a bit more with clients because it can be easy to miss these subtle things when you're busy listening to their story and have an in-depth conversation.





Signs of vulnerability

A typical behaviour we see which often indicates that a client is becoming more vulnerable as they get older, is when they start to ask questions they didn't ask before. You've been working with them for years, so you know that this is just different for them.

“It's so important to have that personal connection with clients, especially if they become vulnerable throughout their life.”

Or sometimes it'll be that the client wants to introduce the spouse or children to sessions. They may just need to have that reassurance as they move into later life, I remember exactly when my own Mum and Dad started to want to get me involved like this.

More unusual signs could be out of the ordinary transactions with wishy washy reasons or not wanting other parties to see correspondence. These are areas where potential vulnerability can get picked up and assessed.

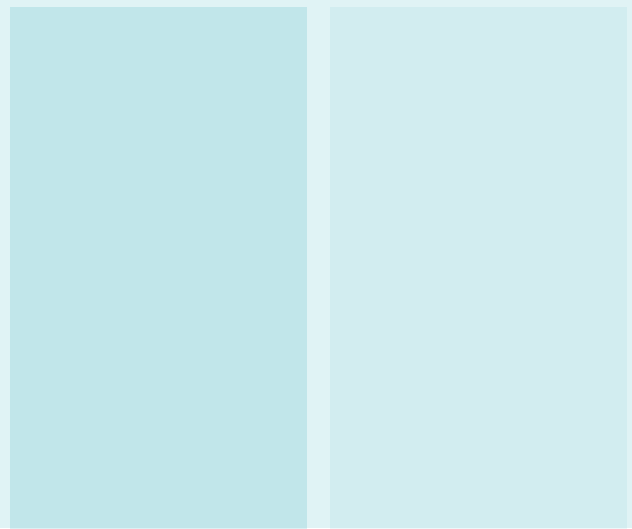
We also work with a couple of local solicitor firms with private client and power of attorney experience. So, if we're unsure we can always give them a call, consult their expertise and discuss how they might approach the situation.

Vulnerability for next gen advisers

We're a training firm as well and this year we've seen the first cohort of graduates coming through who haven't had significant face-to-face advice training because of COVID. As an industry, this could be a soft life skill we're going to have to address with graduates entering the profession.

They'll have the technical know-how and be used to Teams calls but you can't beat meeting face-to-face with the client – you can pick up on someone's body language and notice much more subtle things.

When people ask what a financial planner does, I used to joke and say that we know everything about a client apart from their inside leg measurement. And now, as part of life insurance policies, we do actually have to know their waist measurement! This just shows why it's so important to have that personal connection with clients, especially if they become vulnerable throughout their life.



At M&G Wealth Platform we believe in working in partnership with you to support your vulnerable clients. If you're already with us then we've made it simple for you to let us know about vulnerable clients, and to access a range useful information to share with your clients.

Help us to help you

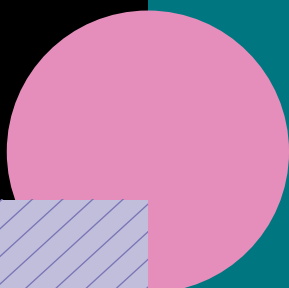
As part of your ongoing due diligence it's important to identify any vulnerabilities your clients may have – and to let us know about them. We've made it easy for you to tell us about client vulnerabilities – all you need to do is [complete this form](#) and we'll update your client's records.

Support for you and your clients

Our client facing teams have been fully trained to identify and capture information about the additional needs of clients and to provide additional assistance to best support them

Our [vulnerable customer hub](#) hosts a range of resources to help both you and your clients.

We've also created this handy [jargon buster](#) to help your clients understand those trickier financial terms.



M&G Wealth Platform

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